

FUND EVALUATION REPORT

San Jose Federated Retiree Health Care Trust Fund

Quarterly Review
March 31, 2013



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Executive Summary
As of March 31, 2013

The value of the San Jose Federated Retiree Health Care Trust was \$44.1 million on March 31, 2013, up from \$42.6 million at the end of the previous quarter.

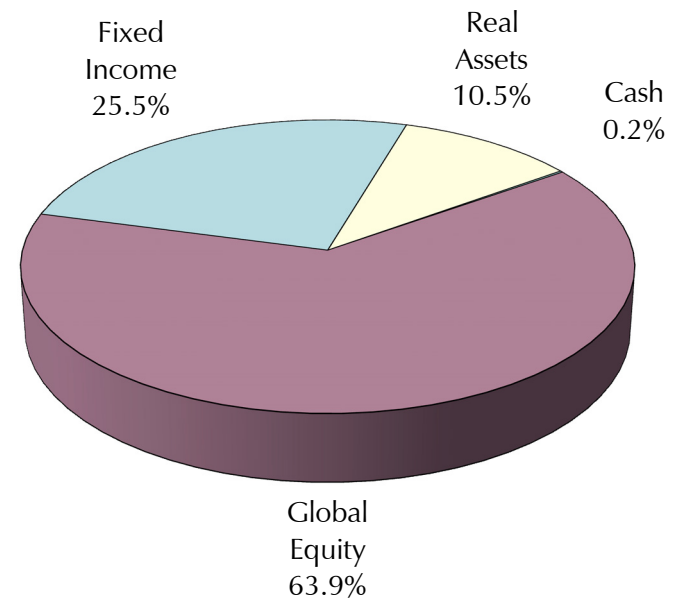
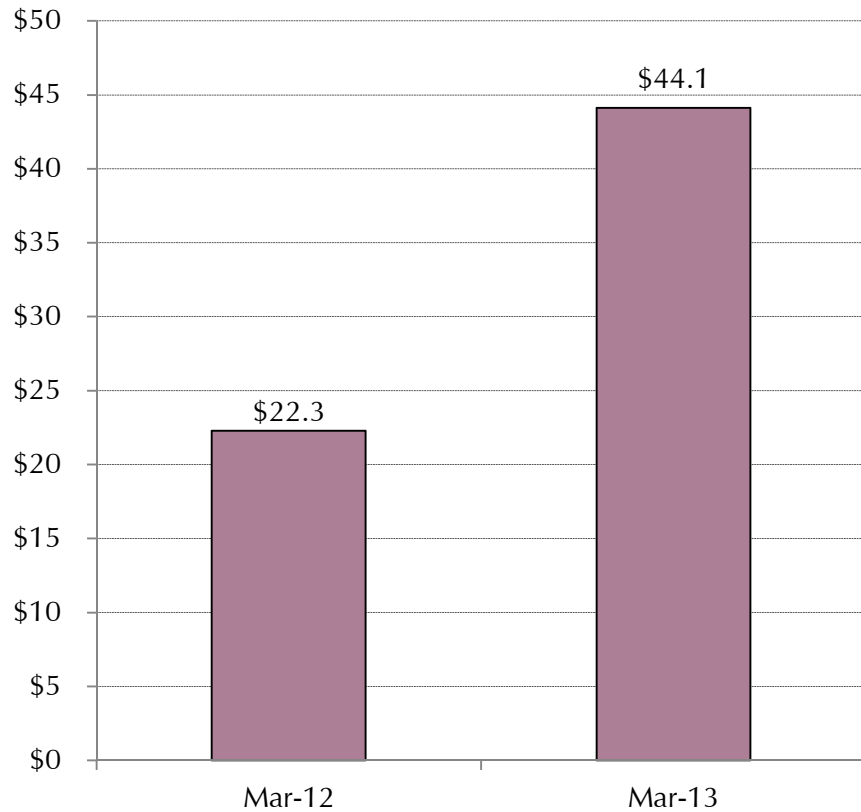
- First quarter performance for the Health Care Trust was 3.5% net of fees, bringing the fiscal year-to-date return to 11.5% net of fees.
- At the end of the first quarter, all asset classes were within target ranges. Strong fiscal year-to-date performance of global equity investments relative to fixed income and real assets has caused actual allocations to deviate from target allocations.
- Performance for the Health Care Trust was equal to the Policy Benchmark during the first quarter. For the fiscal year-to-date period, the Trust outperformed the Policy Benchmark by approximately 40 basis points.
- During the first quarter, there were no cash flows (contributions, withdrawals, rebalancing) for the Health Care Trust.

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation ¹	Comments
Vanguard					
Vanguard Russell 3000	Global Equity	---	---	---	
Vanguard Developed Markets	Global Equity	---	---	---	
Vanguard Emerging Markets	Global Equity	Yes	---	Hold	New benchmark
Vanguard Total Bond Market	Fixed Income	---	---	---	
Vanguard TIPS	Fixed Income	---	---	---	
Credit Suisse	Real Assets	---	---	---	
First Quadrant	Real Assets	Yes	---	Hold	NFA settlement

- **Vanguard Emerging Markets** – As of January 10, 2013, the strategy began tracking the FTSE Emerging Transition Index, a temporary index created to gradually move Vanguard Emerging Markets from tracking the MSCI Emerging Markets Index to the FTSE Emerging Markets Index. The transition is expected to be completed in July 2013.
- **First Quadrant** – In March, First Quadrant notified Staff it reached a settlement with the National Futures Association (NFA) regarding an investigation that began in 2008. The NFA found First Quadrant failed to supervise a former employee, who failed to comply with the NFA code by using unregistered individuals in connection with marketing activity, and concealing that activity from First Quadrant. First Quadrant agreed to pay a fine in the amount of \$250,000.

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

Fund Summary
As of March 31, 2013



San Jose Federated Retiree Health Care Trust Fund

Aggregate Assets Asset Summary as of 3/31/13

	Market Value 3/31/13 (\$ mm)	% of Health Care Trust	Target Allocation (%)	Target Range (%)	Market Value 12/31/12 (\$ mm)
Total Fund Aggregate	44.1	100.0	NA	NA	42.6
Global Equity	28.2	63.9	59	53-65	26.4
Fixed Income	11.2	25.5	28	23-33	11.3
Real Assets	4.6	10.5	13	8-18	4.9
Cash	0.1	0.2	0	0	0.1



San Jose Federated Retiree Health Care Trust Fund

Aggregate Assets Portfolio Roster as of 3/31/13

	Market Value 3/31/13 (\$ mm)	% of Asset Class	% of Health Care Trust	Target Allocation (%)	Target Range (%)	Market Value 12/31/12 (\$ mm)
Total Fund Aggregate	44.1	NA	100.0	NA	NA	42.6
Global Equity	28.2	100.0	63.9	59	53-65	26.4
Vanguard Developed Markets Index	12.9	45.7	29.2			12.3
Vanguard Russell 3000	12.6	44.9	28.7			11.4
Vanguard Emerging Markets Stock Index	2.6	9.4	6.0			2.7
Fixed Income	11.2	100.0	25.5	28	23-33	11.3
Vanguard Total Bond Market Index	6.4	57.0	14.5			6.4
Vanguard Inflation-Protected Securities	4.8	43.0	11.0			4.9
Real Assets	4.6	100.0	10.5	13	8-18	4.9
Credit Suisse Compound Risk Parity Commodity Index	2.4	51.9	5.4			2.5
First Quadrant Risk Parity Commodity Index	2.2	48.1	5.0			2.4
Cash	0.1	100.0	0.2			0.1



San Jose Federated Retiree Health Care Trust Fund

Aggregate Assets Performance as of 3/31/13

	1Q13 (%)	Fiscal ¹ YTD (%)	1 YR (%)	Performance Inception Date	Since Inception (%)
Total Fund Aggregate (Net of Fees)	3.5	11.5	8.0	7/1/11	6.8
<i>CPI Medical Care (Inflation)</i>	1.3	2.1	3.1		3.5
<i>San Jose Healthcare Policy Benchmark²</i>	3.5	11.1	7.8		4.9
<i>San Jose Healthcare Custom Benchmark³</i>	3.8	11.3	7.8		7.3
Global Equity	6.6	19.2	12.9	12/1/11	18.6
<i>Global Equity HC Policy Benchmark⁴</i>	7.1	18.4	11.9		18.4
<i>MSCI ACWI IMI</i>	6.9	17.6	11.0		17.5
Fixed Income	-0.2	1.8	4.4	12/1/11	4.2
<i>Fixed Income HC Policy Benchmark⁵</i>	-0.2	2.0	4.7		4.4
<i>Barclays Aggregate</i>	-0.1	1.7	3.8		3.9
<i>Barclays U.S. TIPS</i>	-0.4	2.5	5.7		4.9
Real Assets	-4.9	-1.9	-7.2	8/1/11	-9.8
<i>Custom Risk Parity Benchmark⁶</i>	-4.2	-0.3	-4.5		-7.7
<i>Dow Jones-Commodity U.S. Index</i>	-1.1	1.5	-3.1		-9.6

¹ Fiscal Year ends June 30.

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

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

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

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

⁶ Custom Risk Parity Benchmark returns provided by Credit Suisse.



	1Q13 (%)	Fiscal ¹ YTD (%)	1 YR (%)	Performance Inception Date	Since Inception (%)
Global Equity	6.6	19.2	12.9	12/1/11	18.6
Vanguard Developed Markets Index ²	4.6	19.7	11.6	12/1/11	15.7
<i>MSCI EAFE</i>	5.1	19.8	11.3		16.2
Vanguard Russell 3000	11.1	18.2	14.5	12/1/11	21.9
<i>Russell 3000</i>	11.1	18.3	14.6		22.0
Vanguard Emerging Markets Stock Index ²	-2.7	10.8	1.5	12/1/11	8.8
<i>MSCI Emerging Markets</i>	-1.6	11.9	2.0		11.0
<i>Vanguard Spliced Emerging Markets Index³</i>	-1.8	11.7	1.8		10.9
Fixed Income	-0.2	1.8	4.4	12/1/11	4.2
Vanguard Total Bond Market Index	-0.1	1.6	3.8	12/1/11	3.9
<i>Barclays Aggregate Float Adjusted Index</i>	-0.1	1.7	3.9		4.0
Vanguard Inflation-Protected Securities	-0.3	2.4	5.7	12/1/11	5.0
<i>Barclays U.S. TIPS</i>	-0.4	2.5	5.7		4.9

¹ Fiscal Year ends June 30.

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

³ Historically, the Vanguard Emerging Market Stock Index tracked the MSCI Emerging Markets Index as its benchmark. On January 10, 2013, Vanguard began tracking the FTSE Emerging Transition Index, a temporary index created to gradually move Vanguard from tracking the MSCI Emerging Markets Index to tracking the FTSE Emerging Markets Index which is expected in July, 2013. The Vanguard Spliced Emerging Markets Index is comprised of the MSCI Emerging Markets Index through January 9, 2013 and the FTSE Emerging Transition Index thereafter.

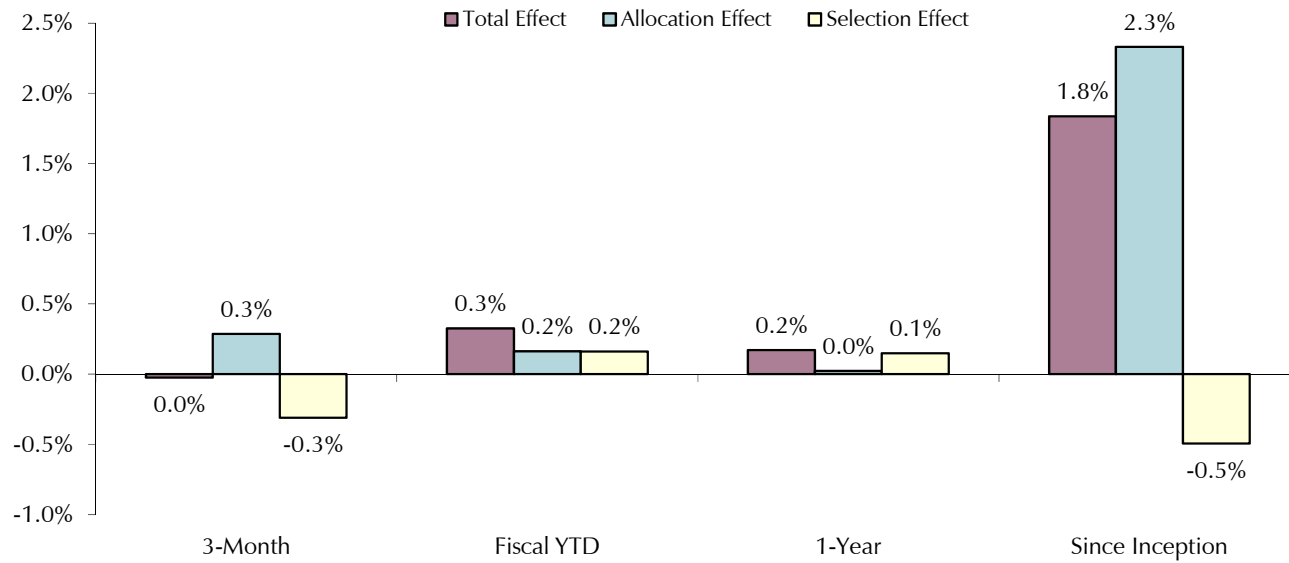
	1Q13 (%)	Fiscal ¹ YTD (%)	1 YR (%)	Performance Inception Date	Since Inception (%)
Real Assets	-4.9	-1.9	-7.2	8/1/11	-9.8
Credit Suisse Compound Risk Parity Commodity Index	-4.3	0.1	-4.2	8/1/11	-7.4
<i>Custom Risk Parity Benchmark²</i>	-4.2	-0.3	-4.5		-7.7
<i>Dow Jones-Commodity U.S. Index</i>	-1.1	1.5	-3.1		-9.6
First Quadrant Risk Parity Commodity Index	-5.4	-3.9	-10.1	8/1/11	-12.2
<i>Custom Risk Parity Benchmark²</i>	-4.2	-0.3	-4.5		-7.7
<i>Dow Jones-Commodity U.S. Index</i>	-1.1	1.5	-3.1		-9.6

¹ Fiscal Year ends June 30.

² Custom Risk Parity Benchmark returns provided by Credit Suisse.



Performance Attribution: Total Fund vs. Policy Benchmark
as of 3/31/13

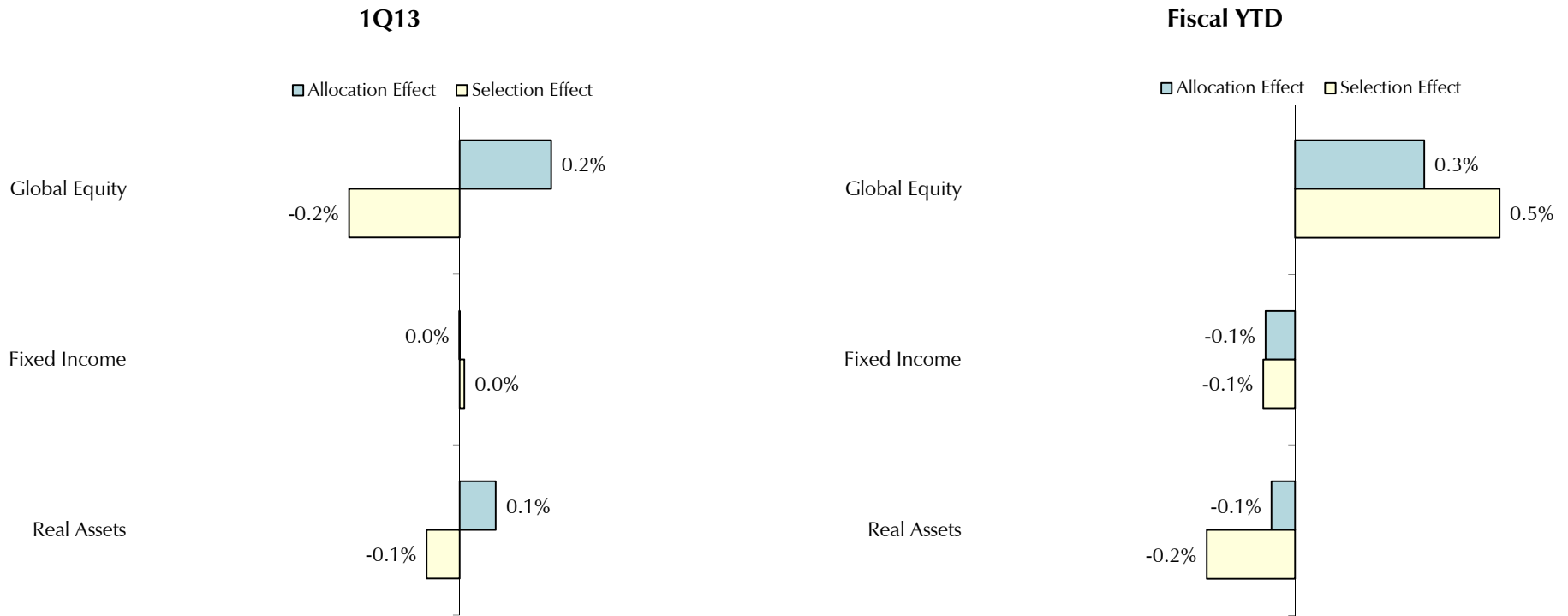


Total Effect: The total effect is the difference between the performance of the total fund and the return for the policy benchmark. The total effect is calculated by adding the allocation effect and the selection effect.

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

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

Performance Attribution (Total Fund): Asset Class vs. Policy Benchmark
as of 3/31/13

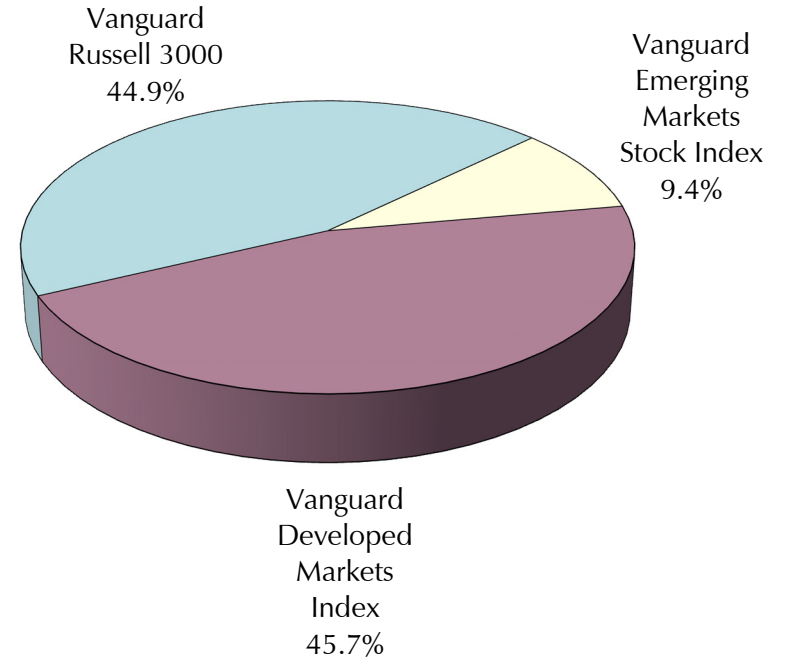
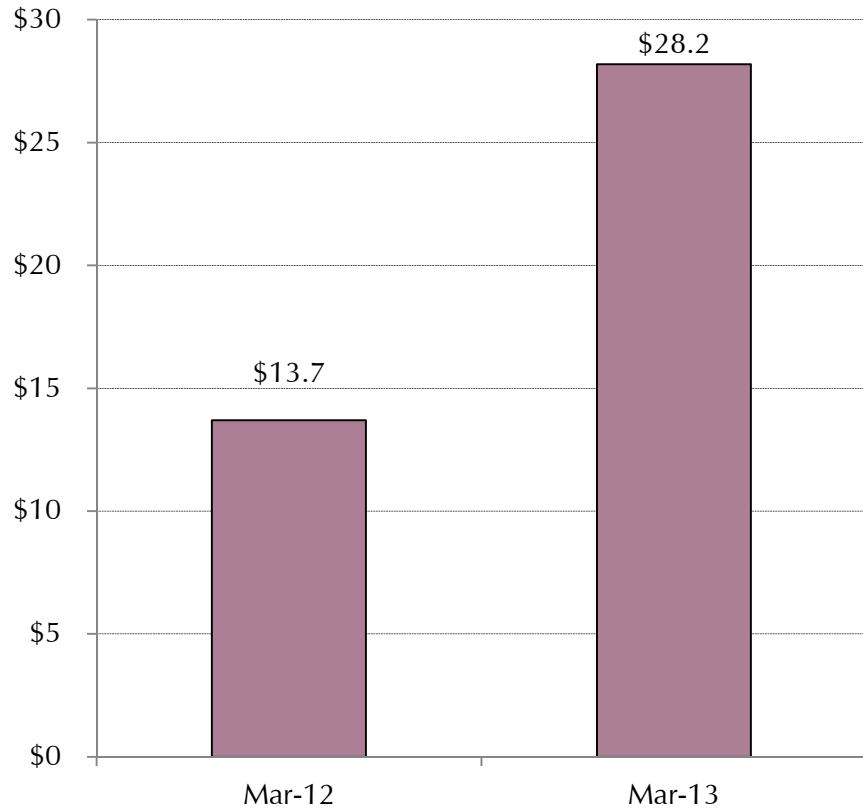


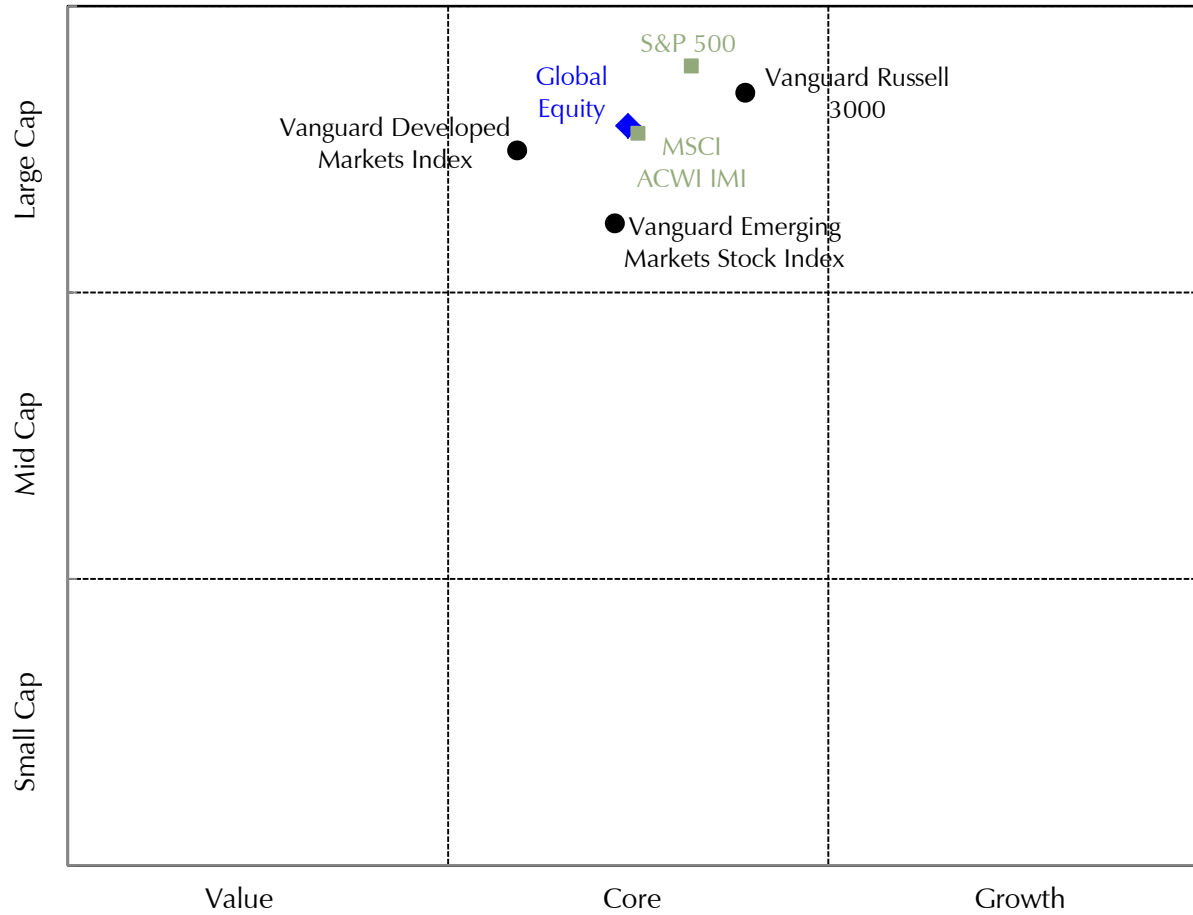
Allocation Effect: The allocation effect measures the impact of over- and under-weighting the fund allocations compared to the target allocations at the Total Fund level. The allocation effect is calculated by subtracting the asset class benchmark return from the asset class custom benchmark return.

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

Fund Detail

**Global Equity Assets
As of March 31, 2013**





	Aggregate Global Equity 3/31/13	MSCI ACWI IMI 3/31/13	Aggregate Global Equity ¹ 12/31/12
Capitalization Structure:			
Weighted Average Market Cap. (US\$ billion)	66.6	63.2	64.9
Median Market Cap. (US\$ billion)	3.1	1.2	2.9
Large (% over US\$10 billion)	78	72	77
Medium (% US\$2 billion to US\$10 billion)	19	20	20
Small (% under US\$2 billion)	3	7	3
Fundamental Structure:			
Price-Earnings Ratio	21	21	19
Price-Book Value Ratio	3.5	3.5	3.2
Dividend Yield (%)	2.7	2.6	2.8
Historical Earnings Growth Rate (%)	8	8	7
Projected Earnings Growth Rate (%)	11	11	10

¹ These characteristics will differ slightly from the previous report, as Meketa Investment Group has changed from Factset to Thomson Reuters for equity market data.

Diversification:	Aggregate Global Equity 3/31/13	MSCI ACWI IMI 3/31/13	Aggregate Global Equity ¹ 12/31/12
Number of Holdings	4,561	8,453	4,616
% in 5 largest holdings	5	4	5
% in 10 largest holdings	8	7	8

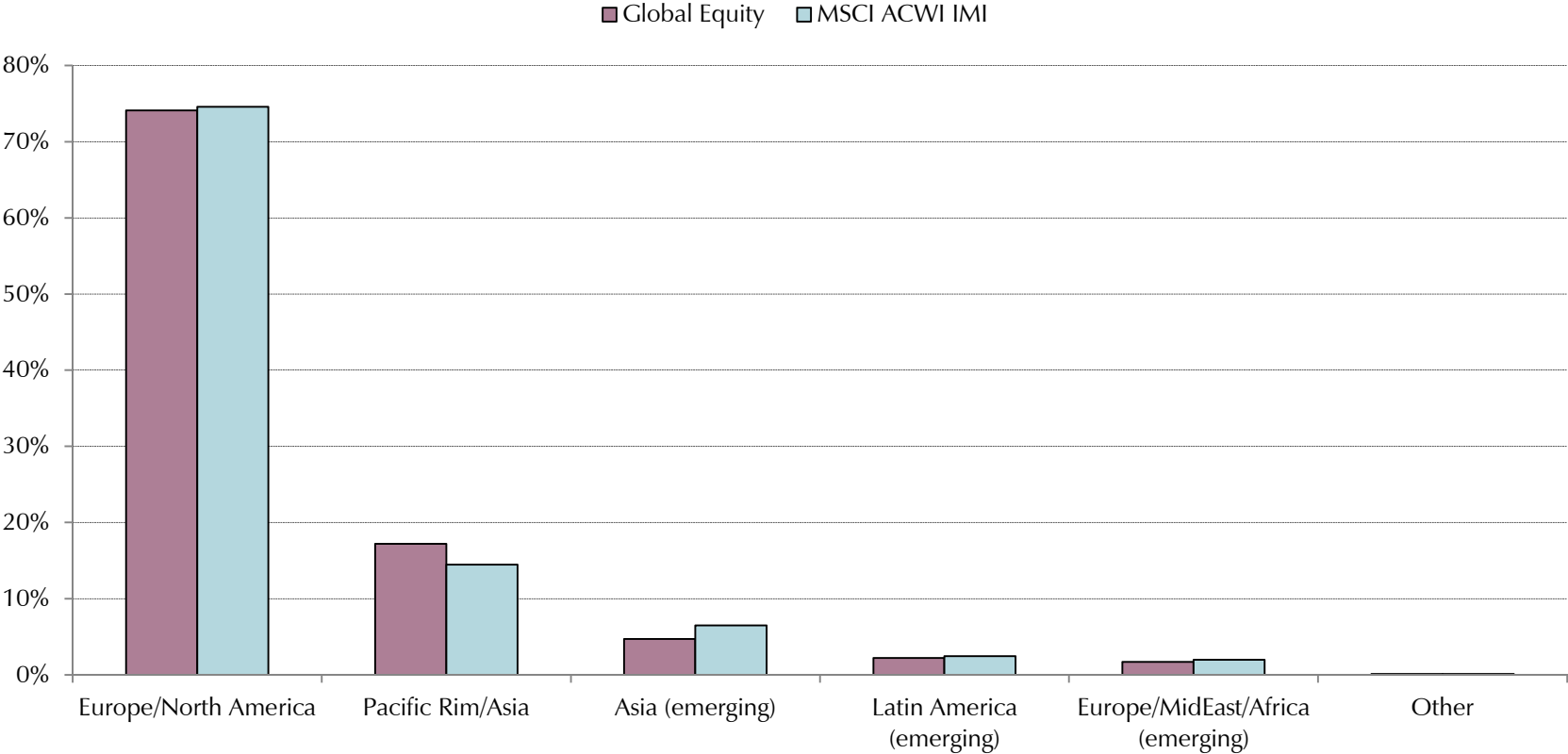
Largest Five Holdings:	% of Portfolio	Economic Sector
ExxonMobil	1.1	Energy
Apple	1.1	Technology Equipment
Nestle	0.9	Food, Beverage & Tobacco
HSBC Holdings	0.8	Banks
Roche Holding	0.7	Pharmaceuticals & Biotech.

¹ These characteristics will differ slightly from the previous report, as Meketa Investment Group has changed from Factset to Thomson Reuters for equity market data.

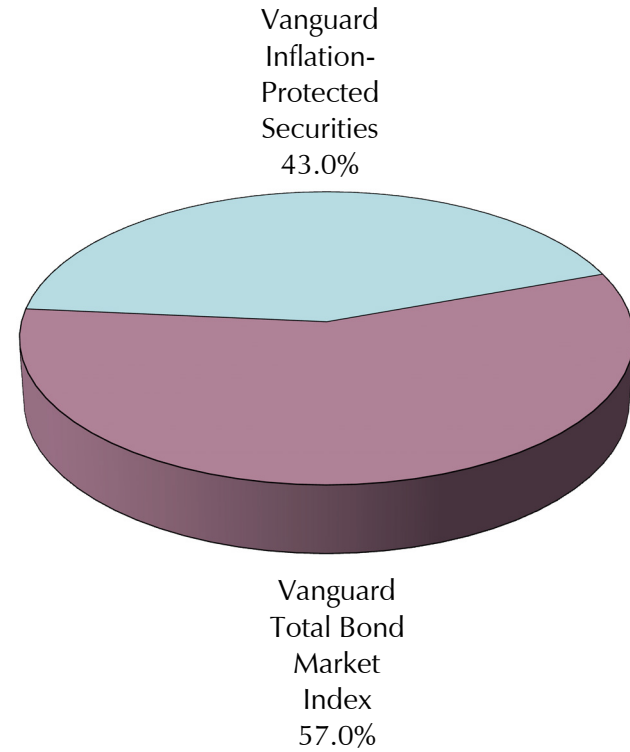
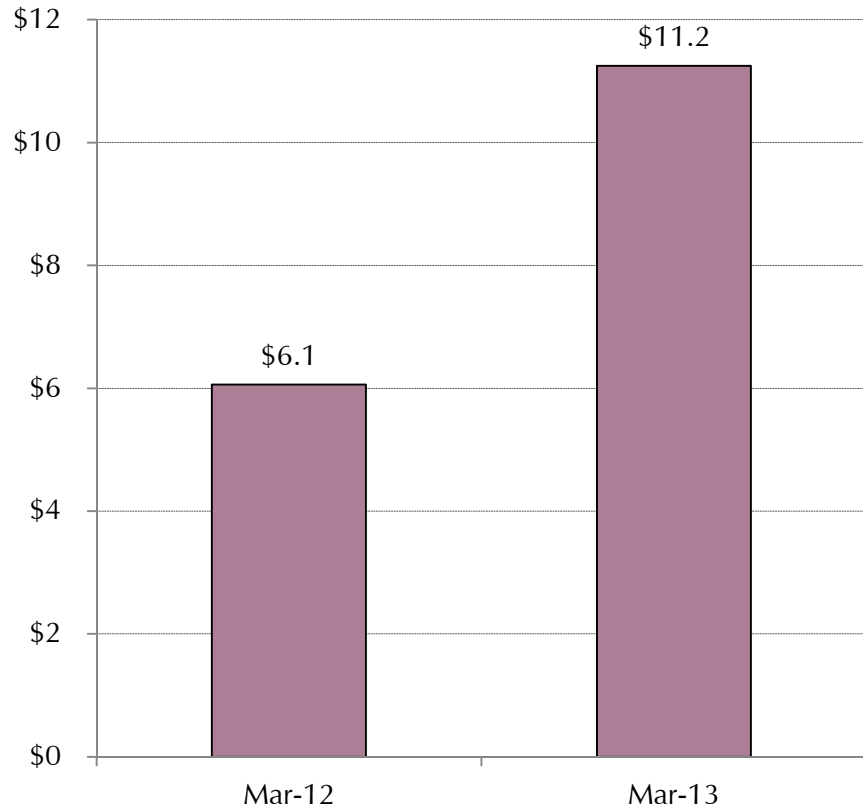
Sector Allocation (%):	Aggregate Global Equity 3/31/13	MSCI ACWI IMI 3/31/13	Aggregate Global Equity ¹ 12/31/12
Consumer Staples	11	10	10
Health Care	10	10	10
Telecommunication Services	4	4	4
Financials	22	21	22
Utilities	4	3	4
Industrials	11	11	12
Consumer Discretionary	11	12	11
Materials	7	7	8
Energy	9	10	9
Information Technology	11	12	11

¹ These characteristics will differ slightly from the previous report, as Meketa Investment Group has changed from Factset to Thomson Reuters for equity market data.

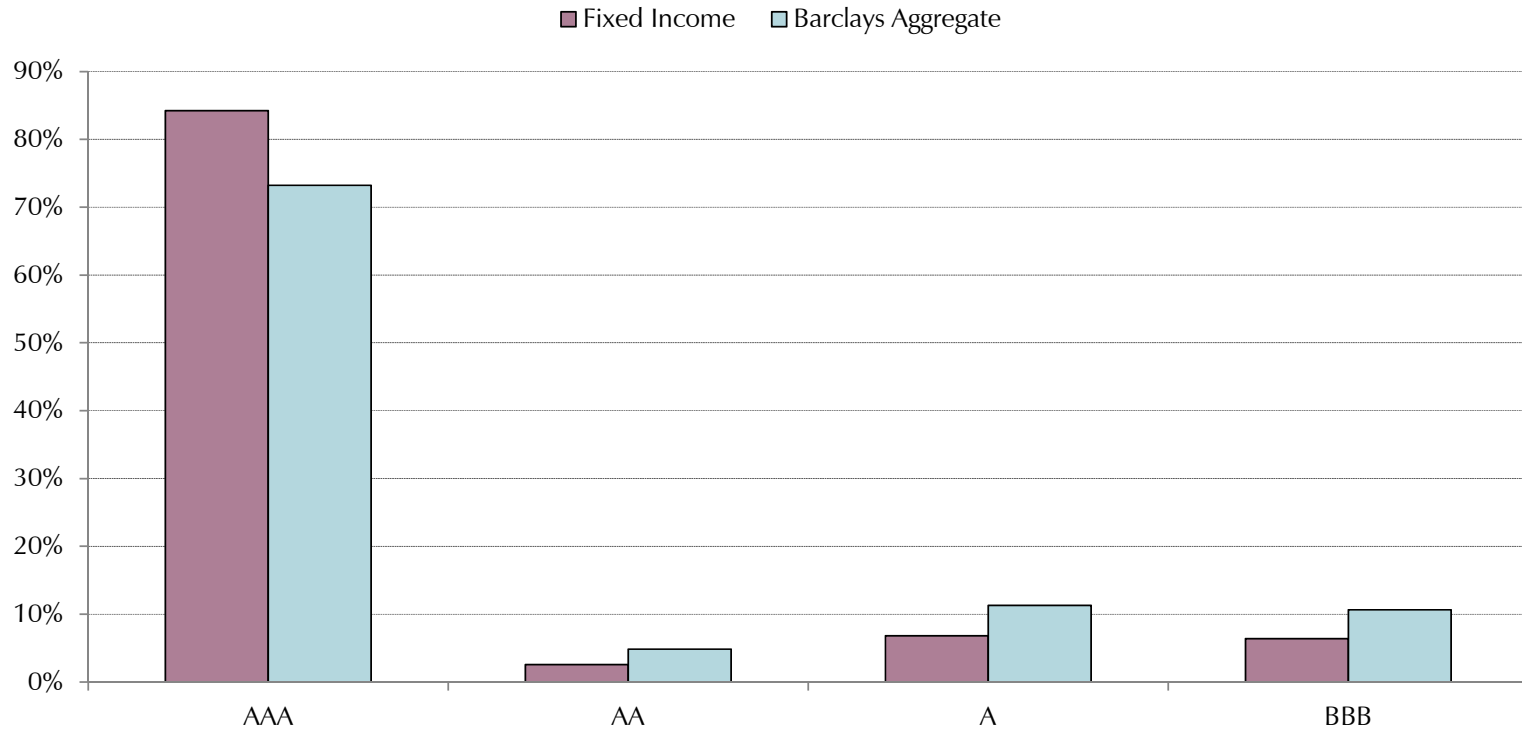
	Aggregate Global Equity 3/31/13 (%)	MSCI ACWI IMI 3/31/13 (%)		Aggregate Global Equity 3/31/13 (%)	MSCI ACWI IMI 3/31/13 (%)
Europe/North America	74.1	74.6	Asia (emerging)	4.7	6.5
United Kingdom	9.6	7.7	China	1.1	1.1
Switzerland	4.1	3.0	Taiwan	1.0	1.4
France	3.9	3.0	Latin America (emerging)	2.2	2.4
Germany	3.8	2.9	Brazil	1.3	1.4
Netherlands	1.8	1.3	Europe/MidEast/Africa (emerging)	1.7	2.0
Spain	1.2	0.9	Other	0.1	0.1
Sweden	1.5	1.2			
United States	45.0	47.9			
Pacific Rim/Asia	17.2	14.5			
Japan	9.7	8.0			
Australia	4.2	3.3			
Hong Kong	2.1	2.2			



Fixed Income Assets
As of March 31, 2013



Duration & Yield:	Aggregate Fixed Income 3/31/13	Barclays Aggregate 3/31/13	Aggregate Fixed Income 12/31/12
Average Effective Duration (years)	5.3	5.3	5.2
Yield to Maturity (%)	1.8	1.9	1.7



	Aggregate Fixed Income 3/31/13	Barclays Aggregate 3/31/13	Aggregate Fixed Income 12/31/12
Market Allocation (%):			
United States	95	92	96
Foreign (developed markets)	3	5	4
Foreign (emerging markets)	1	3	1
Currency Allocation (%):			
Non-U.S. Dollar Exposure	0	0	0
Sector Allocation (%):			
U.S. Treasury-Nominal	23	37	23
U.S. Treasury-TIPS	43	0	43
U.S. Agency	2	6	2
Mortgage Backed	14	29	14
Corporate	13	22	13
Bank Loans	0	0	0
Local & Provincial Government	0	1	0
Sovereign & Supranational	0	3	0
Commercial Mortgage Backed	1	2	1
Asset Backed	0	0	0
Cash Equivalent	0	0	0
Other	4	0	4

Portfolio Reviews
As of March 31, 2013

Global Equity Portfolio Reviews
As of March 31, 2013

San Jose Federated Retiree Health Care Trust Fund

Vanguard Developed Markets Index Portfolio Detail as of 3/31/13

Mandate: Global Equities
Active/Passive: Passive
Market Value: \$12.9 million
Portfolio Manager: Duane Kelly & Michael Perre
Location: Valley Forge, Pennsylvania
Inception Date: 12/1/2011
Account Type: Mutual Fund (VIDMX)

	Value	Core	Growth
Large			
Medium			
Small			

Fee Schedule:
0.07% on all assets

Liquidity Constraints:
Daily

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

Performance (%):	1Q13	Fiscal YTD	1 YR	Since 12/1/11
Vanguard Developed Markets Index	4.6	19.7	11.6	15.7
MSCI EAFE	5.1	19.8	11.3	16.2

	3/31/13		12/31/12 ¹	
Capitalization Structure:	Vanguard Developed Markets	MSCI EAFE	Vanguard Developed Markets	MSCI EAFE
Weighted Average Market Cap. (US\$ billion)	55.7	55.6	53.0	53.0
Median Market Cap. (US\$ billion)	7.9	7.8	7.5	7.4
Large (% over US\$10 billion)	81	81	81	81
Medium (% US\$2 billion to US\$10 billion)	19	19	19	19
Small (% under US\$2 billion)	0	0	0	0
Fundamental Structure:				
Price-Earnings Ratio	19	19	17	17
Price-Book Value Ratio	3.0	3.0	2.6	2.6
Dividend Yield (%)	3.3	3.3	3.5	3.5
Historical Earnings Growth Rate (%)	3	3	2	2
Projected Earnings Growth Rate (%)	10	10	9	9
Sector Allocation (%):				
Energy	7	7	8	8
Consumer Staples	12	12	12	12
Health Care	10	10	10	10
Consumer Discretionary	11	11	11	11
Materials	9	9	10	10
Telecommunication Services	5	5	5	5
Information Technology	4	4	4	4
Utilities	4	4	4	4
Industrials	13	13	13	13
Financials	25	25	25	25
Diversification:				
Number of Holdings	915	909	919	909
% in 5 largest holdings	8	8	8	8
% in 10 largest holdings	13	13	13	13
Region Allocation (%):				
Americas	0	0	0	0
Europe	63	64	65	65
Pacific Rim	36	36	35	35
Other	0	0	0	0
Largest Five Holdings:	Industry			
Nestle	2.1	Food, Beverage & Tobacco		
HSBC Holdings	1.7	Banks		
Roche Holding	1.4	Pharmaceuticals & Biotech.		
Novartis	1.4	Pharmaceuticals & Biotech.		
Toyota Motor	1.3	Automobiles & Components		

¹ These characteristics will differ slightly from the previous report, as Meketa Investment Group has changed from Factset to Thomson Reuters for equity market data.



San Jose Federated Retiree Health Care Trust Fund

Vanguard Russell 3000 Index Portfolio Detail as of 3/31/13

Mandate: Global Equities
Active/Passive: Passive
Market Value: \$12.6 million
Portfolio Manager: Team
Location: Valley Forge, Pennsylvania
Inception Date: 12/1/2011
Account Type: Mutual Fund (VRTTX)

	Value	Core	Growth
Large			
Medium			
Small			

Fee Schedule:
0.08% on all assets

Liquidity Constraints:
Daily

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

Performance (%):	1Q13	Fiscal YTD	1 YR	Since 12/1/11
Vanguard Russell 3000	11.1	18.2	14.5	21.9
Russell 3000	11.1	18.3	14.6	22.0

Capitalization Structure:	3/31/13		12/31/12 ¹	
	Vanguard Russell 3000	Russell 3000	Vanguard Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	84.6	84.5	84.9	84.4
Median Market Cap. (US\$ billion)	1.4	1.1	1.3	1.0
Large (% over US\$10 billion)	77	77	75	75
Medium (% US\$2 billion to US\$10 billion)	17	17	18	18
Small (% under US\$2 billion)	6	6	7	7
Fundamental Structure:				
Price-Earnings Ratio	22	22	21	21
Price-Book Value Ratio	4.0	4.0	3.8	3.8
Dividend Yield (%)	2.0	2.0	2.1	2.1
Historical Earnings Growth Rate (%)	11	11	10	10
Projected Earnings Growth Rate (%)	11	11	11	11
Sector Allocation (%):				
Consumer Staples	10	10	9	9
Consumer Discretionary	13	13	13	13
Industrials	11	11	11	11
Health Care	12	12	12	12
Energy	10	10	10	10
Utilities	4	4	3	3
Materials	4	4	4	4
Telecommunication Services	3	3	3	3
Information Technology	17	17	18	18
Financials	17	17	17	17
Diversification:				
Number of Holdings	2,632	2,942	2,632	2,968
% in 5 largest holdings	9	9	10	10
% in 10 largest holdings	15	15	16	16
Region Allocation (%):				
Europe/North America	100	100	100	100
Europe/MidEast/Africa (emerging)	0	0	0	0
Largest Five Holdings:				
		Industry		
ExxonMobil	2.4	Energy		
Apple	2.4	Technology Equipment		
General Electric	1.4	Capital Goods		
Chevron	1.3	Energy		
IBM	1.3	Software & Services		

¹ These characteristics will differ slightly from the previous report, as Meketa Investment Group has changed from Factset to Thomson Reuters for equity market data.



San Jose Federated Retiree Health Care Trust Fund

Vanguard Emerging Markets Stock Index Portfolio Detail as of 3/31/13

Mandate: Global Equities
Active/Passive: Passive
Market Value: \$2.6 million
Portfolio Manager: Duane Kelly & Michael Perre
Location: Valley Forge, Pennsylvania
Inception Date: 12/1/2011
Account Type: Mutual Fund (VERSX)

	Value	Core	Growth
Large			
Medium			
Small			

Fee Schedule:
0.18% on all assets

Liquidity Constraints:
Daily

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

Performance (%):	1Q13	Fiscal YTD	1 YR	Since 12/1/11
Vanguard Emerging Markets Stock Index	-2.7	10.8	1.5	8.8
MSCI Emerging Markets	-1.6	11.9	2.0	11.0
Vanguard Spliced Emerging Markets Index	-1.8	11.7	1.8	10.9

	3/31/13		12/31/12 ¹	
	Vanguard EM Index	MSCI Emerging Markets	Vanguard EM Index	MSCI Emerging Markets
Capitalization Structure:				
Weighted Average Market Cap. (US\$ billion)	32.9	36.2	32.8	37.9
Median Market Cap. (US\$ billion)	4.4	4.6	4.0	4.7
Large (% over US\$10 billion)	65	65	64	66
Medium (% US\$2 billion to US\$10 billion)	31	31	32	31
Small (% under US\$2 billion)	4	4	3	3
Fundamental Structure:				
Price-Earnings Ratio	19	19	19	19
Price-Book Value Ratio	3.4	3.2	3.4	3.3
Dividend Yield (%)	3.0	2.7	2.9	2.8
Historical Earnings Growth Rate (%)	12	13	13	13
Projected Earnings Growth Rate (%)	12	12	12	13
Sector Allocation (%):				
Financials	29	28	27	27
Energy	13	12	12	12
Telecommunication Services	8	7	8	8
Consumer Staples	9	9	9	9
Health Care	2	1	1	1
Materials	11	11	12	12
Utilities	4	4	3	3
Industrials	6	6	7	7
Consumer Discretionary	7	8	8	8
Information Technology	12	14	12	14
Diversification:				
Number of Holdings	1,014	823	1,071	821
% in 5 largest holdings	7	11	8	11
% in 10 largest holdings	12	16	13	16
Region Allocation (%):				
Asia	51	53	53	53
Latin America	24	22	22	21
Europe, Middle East and Africa	18	17	16	18
Other	8	8	9	9
Largest Five Holdings:				
		Industry		
China Con.Bank	1.7	Banks		
China Mobile	1.5	Telecom Services		
Indl.& Coml.Bk.Of China	1.4	Banks		
Samsung Electronics	1.4	Semiconductors		
Taiwan Semiconductor	1.4	Semiconductors		

¹ These characteristics will differ slightly from the previous report, as Meketa Investment Group has changed from Factset to Thomson Reuters for equity market data.



Fixed Income Portfolio Reviews
As of March 31, 2013

San Jose Federated Retiree Health Care Trust Fund

Vanguard Total Bond Market Index Portfolio Detail as of 3/31/13

Mandate: Fixed Income
Active/Passive: Passive
Market Value: \$6.4 million
Portfolio Manager: Gregory Davis, CFA
 Kenneth Volpert, CFA
Location: Valley Forge, Pennsylvania
Inception Date: 12/1/2011
Account Type: Mutual Fund (VBTIX)

	Short	Int.	Long
High			
Medium			
Low			

Fee Schedule:
 0.07% on all assets

Liquidity Constraints:
 Daily

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

Performance (%):	1Q13	Fiscal YTD	1 YR	Since 12/1/11
Vanguard Total Bond Market Index	-0.1	1.6	3.8	3.9
Barclays Aggregate Float Adjusted Index	-0.1	1.7	3.9	4.0

	3/31/13		12/31/12	
	Vanguard Bond Mkt Index	Barclays Agg Float Adjusted Index	Vanguard Bond Mkt Index	Barclays Agg Float Adjusted Index
Duration & Yield:				
Average Effective Duration (years)	5.3	5.3	5.2	5.2
Yield to Maturity (%)	1.8	1.8	1.7	1.7
Quality Structure (%):				
Average Quality	AA+	AA+	AA+	AA+
AAA (includes Treasuries and Agencies)	72	71	73	71
AA	5	5	4	5
A	12	12	12	12
BBB	11	11	11	11
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	40	39	40	39
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	4	6	4	6
Mortgage Backed	24	25	25	26
Corporate	23	23	23	23
Bank Loans	0	0	0	0
Local & Provincial Government	0	2	0	2
Sovereign & Supranational	0	3	0	3
Commercial Mortgage Backed	2	2	2	2
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	6	0	6	0
Market Allocation (%):				
United States	92	91	92	92
Foreign (developed markets)	6	5	6	5
Foreign (emerging markets)	2	4	2	3
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



San Jose Federated Retiree Health Care Trust Fund

Vanguard Inflation-Protected Securities Portfolio Detail as of 3/31/13

Mandate: Fixed Income
Active/Passive: Passive
Market Value: \$4.8 million
Portfolio Manager: John Hollyer, CFA
Location: Valley Forge, Pennsylvania
Inception Date: 12/1/2011
Account Type: Mutual Fund (VAIPX)

	Short	Int.	Long
High			
Medium			
Low			

Fee Schedule:

0.10% on all assets

Liquidity Constraints:

Daily

Strategy:

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

Performance (%):	1Q13	Fiscal YTD	1 YR	Since 12/1/11
Vanguard Inflation-Protected Securities	-0.3	2.4	5.7	5.0
Barclays U.S. TIPS	-0.4	2.5	5.7	4.9

Quality Structure (%):	3/31/13		12/31/12	
	Vanguard TIPS Index	Barclays TIPS	Vanguard TIPS Index	Barclays TIPS
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
Sector Allocation (%):				
U.S. Treasury-Nominal	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
Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



**Real Assets Portfolio Reviews
As of March 31, 2013**

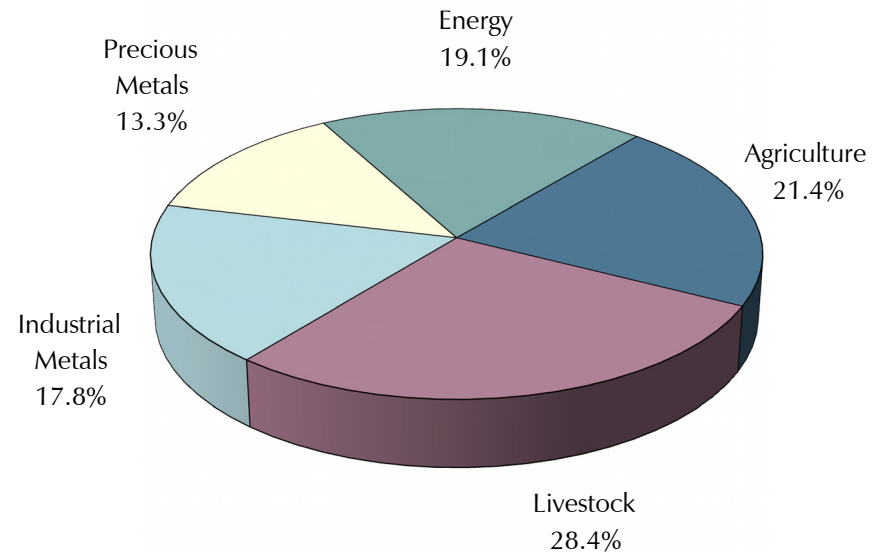
Mandate: Commodity
Active/Passive: Active
Market Value: \$2.4 million
Portfolio Manager: Christopher Burton
Location: New York, New York
Inception Date: 8/1/2011
Account Type: Commingled Fund

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

Liquidity Constraints:
 Daily

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

Current Allocation:



Performance (%):	1Q13	Fiscal YTD	1 YR	Since 8/1/11
Credit Suisse Compound Risk Parity Commodity Index	-4.3	0.1	-4.2	-7.4
Custom Risk Parity Benchmark ¹	-4.2	-0.3	-4.5	-7.7
Dow Jones-Commodity U.S. Index	-1.1	1.5	-3.1	-9.6

¹ Custom Risk Parity Benchmark returns provided by Credit Suisse.



San Jose Federated Retiree Health Care Trust Fund

First Quadrant Risk Parity Commodity Index Portfolio Detail as of 3/31/13

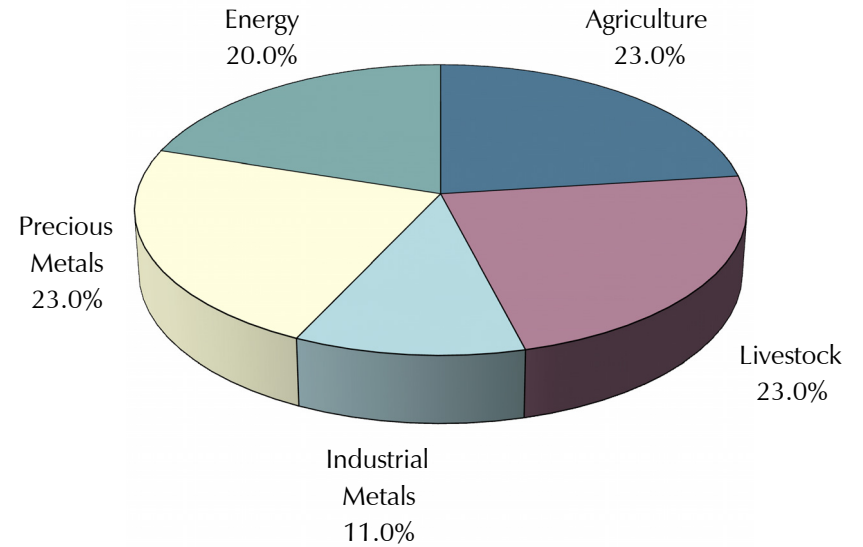
Mandate: Commodity
Active/Passive: Active
Market Value: \$2.2 million
Portfolio Manager: Team
Location: Pasadena, California
Inception Date: 8/1/2011
Account Type: Commingled Fund

Fee Schedule:
 0.35% on all assets

Liquidity Constraints:
 Monthly

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

Current Allocation:



Performance (%):	1Q13	Fiscal YTD	1 YR	Since 8/1/11
First Quadrant Risk Parity Commodity Index	-5.4	-3.9	-10.1	-12.2
Custom Risk Parity Benchmark ¹	-4.2	-0.3	-4.5	-7.7
Dow Jones-Commodity U.S. Index	-1.1	1.5	-3.1	-9.6

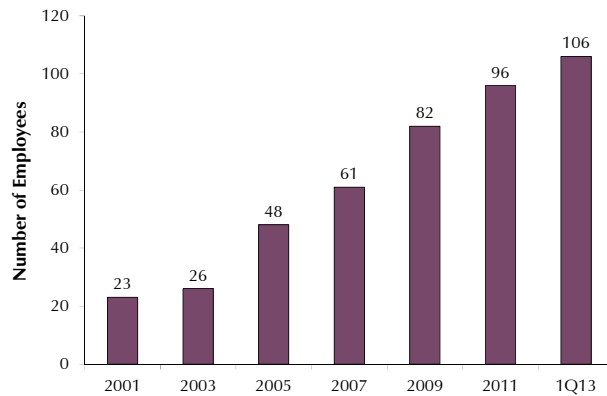
¹ Custom Risk Parity Benchmark returns provided by Credit Suisse.



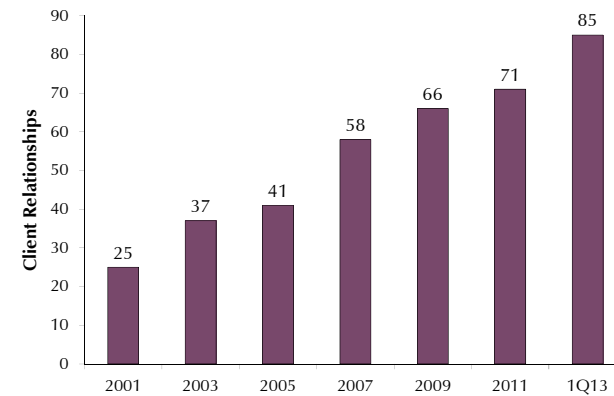
Meketa Investment Group Corporate Update

- Staff of 106, including 64 investment professionals and 20 CFA Charterholders
- 85 clients, with over 170 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Miami, and San Diego
- Clients have aggregate assets of over \$575 billion
 - Over \$20 billion in assets committed to alternative investments
 - Private Equity
 - Infrastructure
 - Natural Resources
 - Real Estate
 - Hedge Funds
 - Commodities

Employee Growth



Client Growth



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



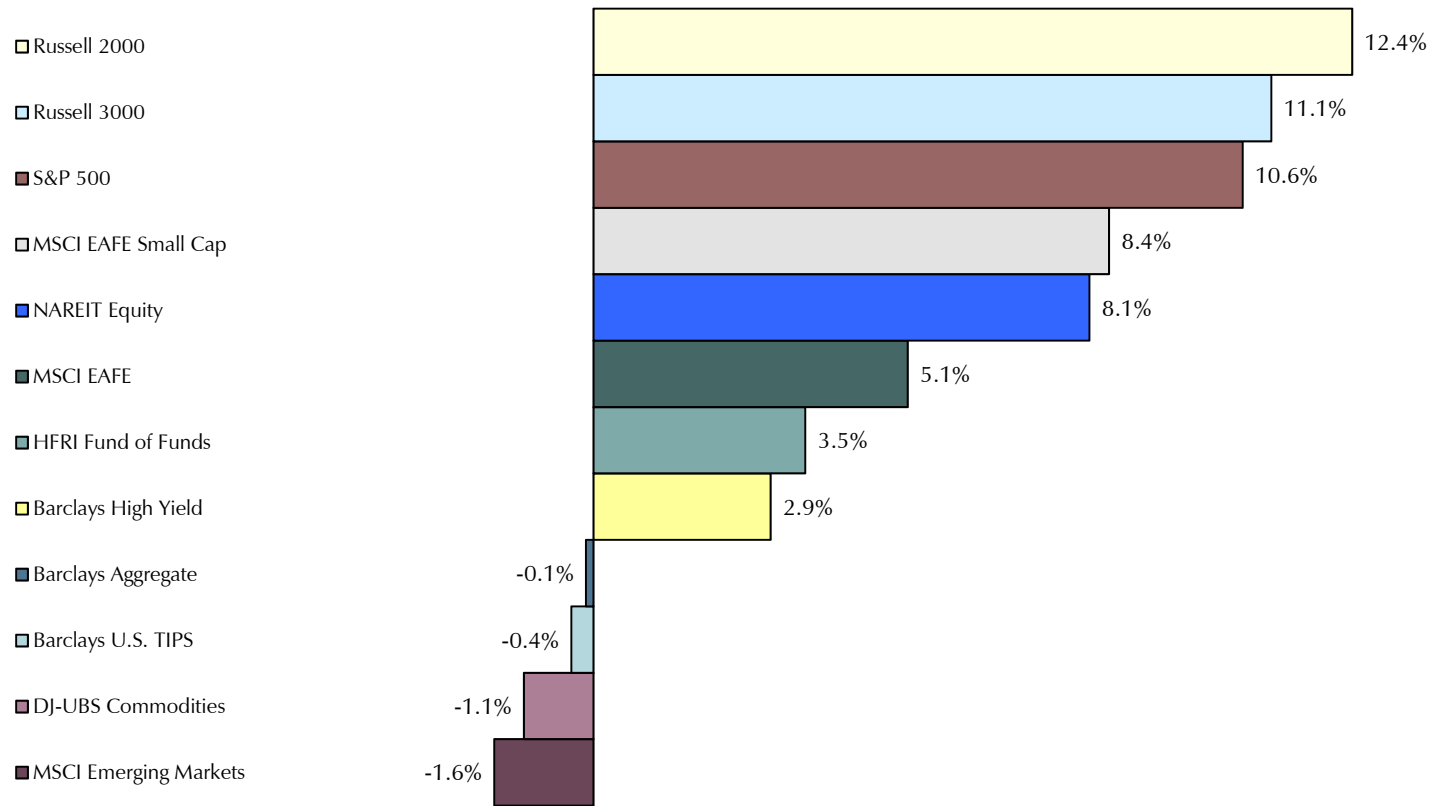
Asset Classes Followed Intensively by Meketa Investment Group

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

Appendices

**The World Markets
First Quarter of 2013**

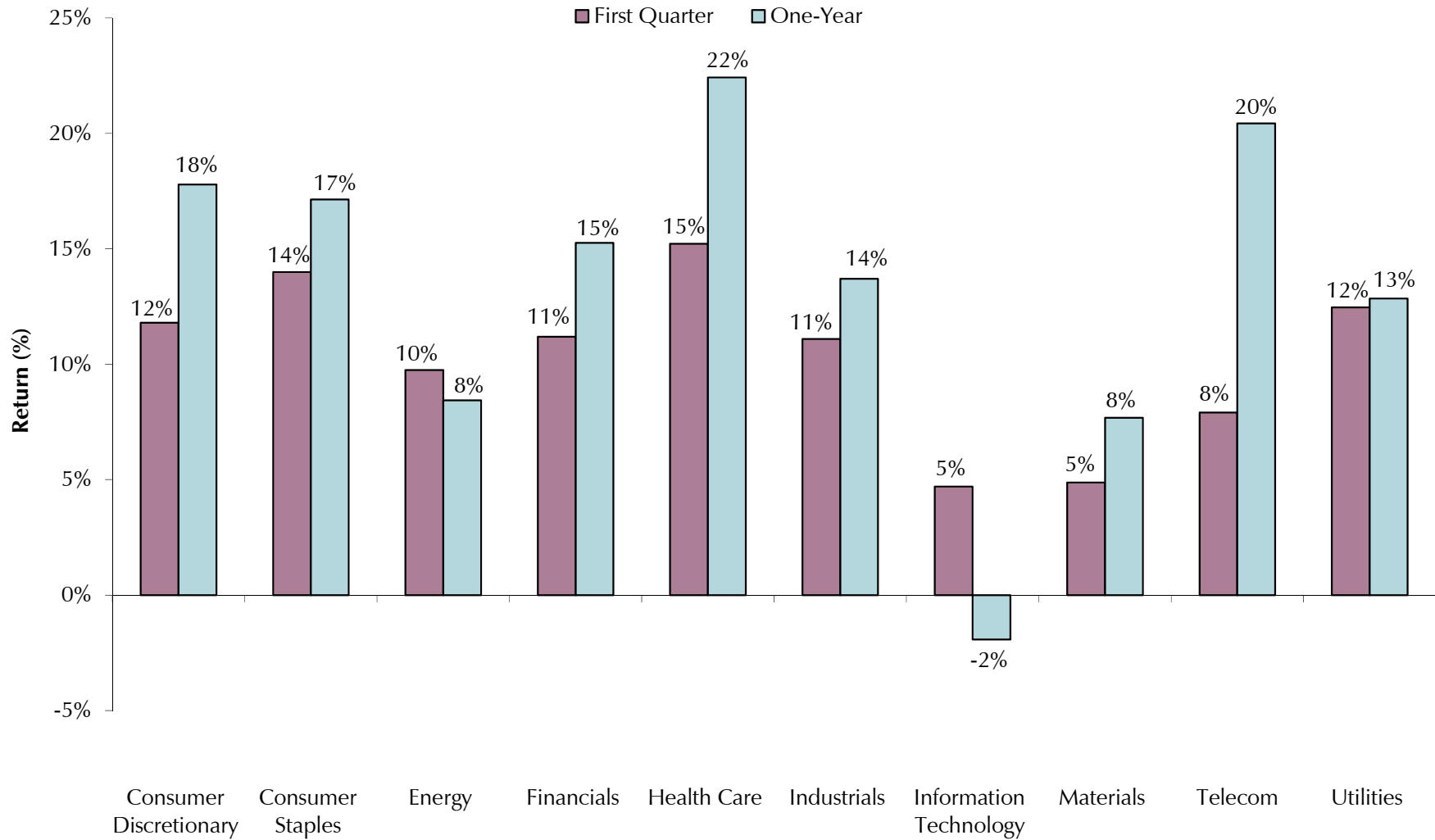
The World Markets
First Quarter of 2013



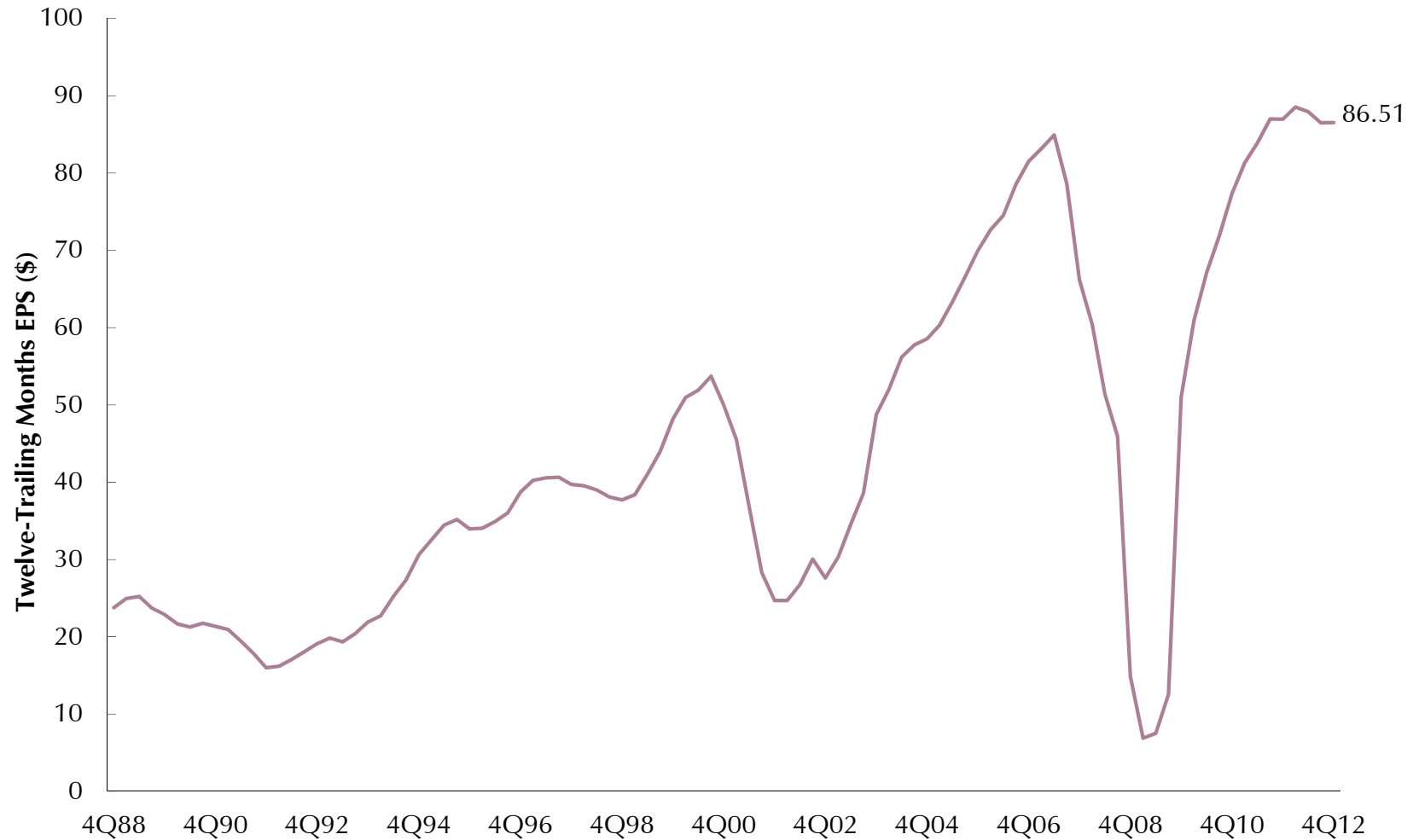
Index Returns

	1Q13 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
Domestic Equity					
Russell 3000	11.1	14.6	13.0	6.3	9.2
Russell 1000	11.0	14.4	12.9	6.2	9.0
Russell 1000 Growth	9.5	10.1	13.1	7.3	8.6
Russell 1000 Value	12.3	18.8	12.7	4.8	9.2
Russell MidCap	13.0	17.3	14.6	8.4	12.3
Russell MidCap Growth	11.5	12.8	14.2	8.0	11.5
Russell MidCap Value	14.2	21.5	15.0	8.5	12.6
Russell 2000	12.4	16.3	13.5	8.2	11.5
Russell 2000 Growth	13.2	14.5	14.7	9.0	11.6
Russell 2000 Value	11.6	18.1	12.1	7.3	11.3
Foreign Equity					
MSCI ACWI (ex. U.S.)	3.2	8.4	4.4	-0.4	10.9
MSCI EAFE	5.1	11.3	5.0	-0.9	9.7
MSCI EAFE (local currency)	9.7	16.7	4.3	0.7	7.5
MSCI EAFE Small Cap	8.4	13.3	8.4	2.1	13.2
MSCI Emerging Markets	-1.6	2.0	3.3	1.1	17.1
MSCI Emerging Markets (local currency)	-0.5	5.2	4.6	2.7	15.6
Fixed Income					
Barclays Universal	0.1	4.7	6.0	5.9	5.4
Barclays Aggregate	-0.1	3.8	5.5	5.5	5.0
Barclays U.S. TIPS	-0.4	5.7	8.6	5.9	6.3
Barclays High Yield	2.9	13.1	11.2	11.6	10.1
JPMorgan GBI-EM Global Diversified	-0.1	7.7	7.9	8.4	11.9
Other					
NAREIT Equity	8.1	17.1	17.7	7.1	12.6
DJ-UBS Commodities	-1.1	-3.1	1.3	-7.4	2.5
HFRI Fund of Funds	3.5	4.9	2.1	-0.2	3.9

S&P Sector Returns



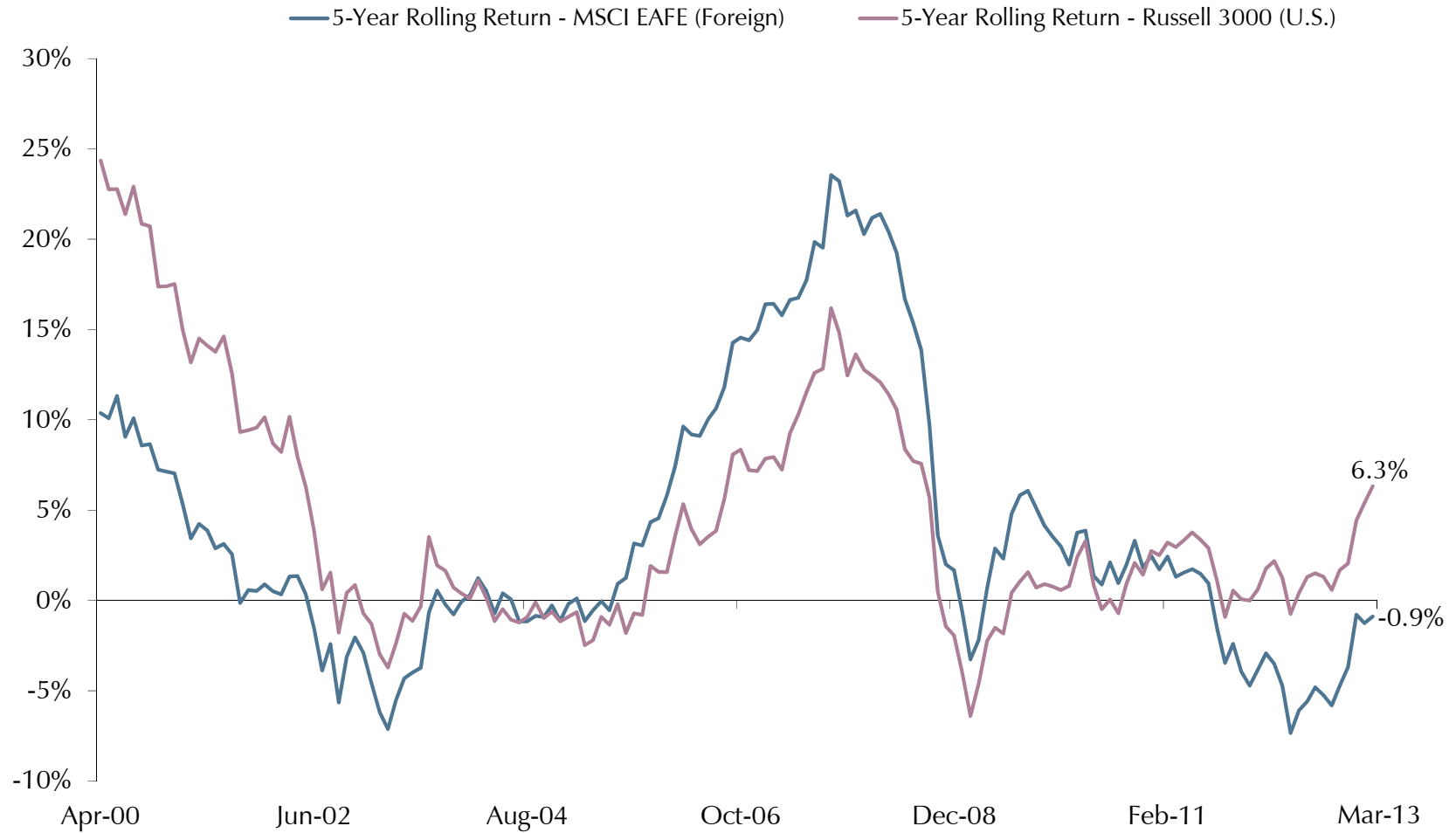
S&P 500 Earnings Per Share¹



¹ The majority of companies in the S&P 500 have not yet reported Q1 earnings. Data is as of December 31, 2012.

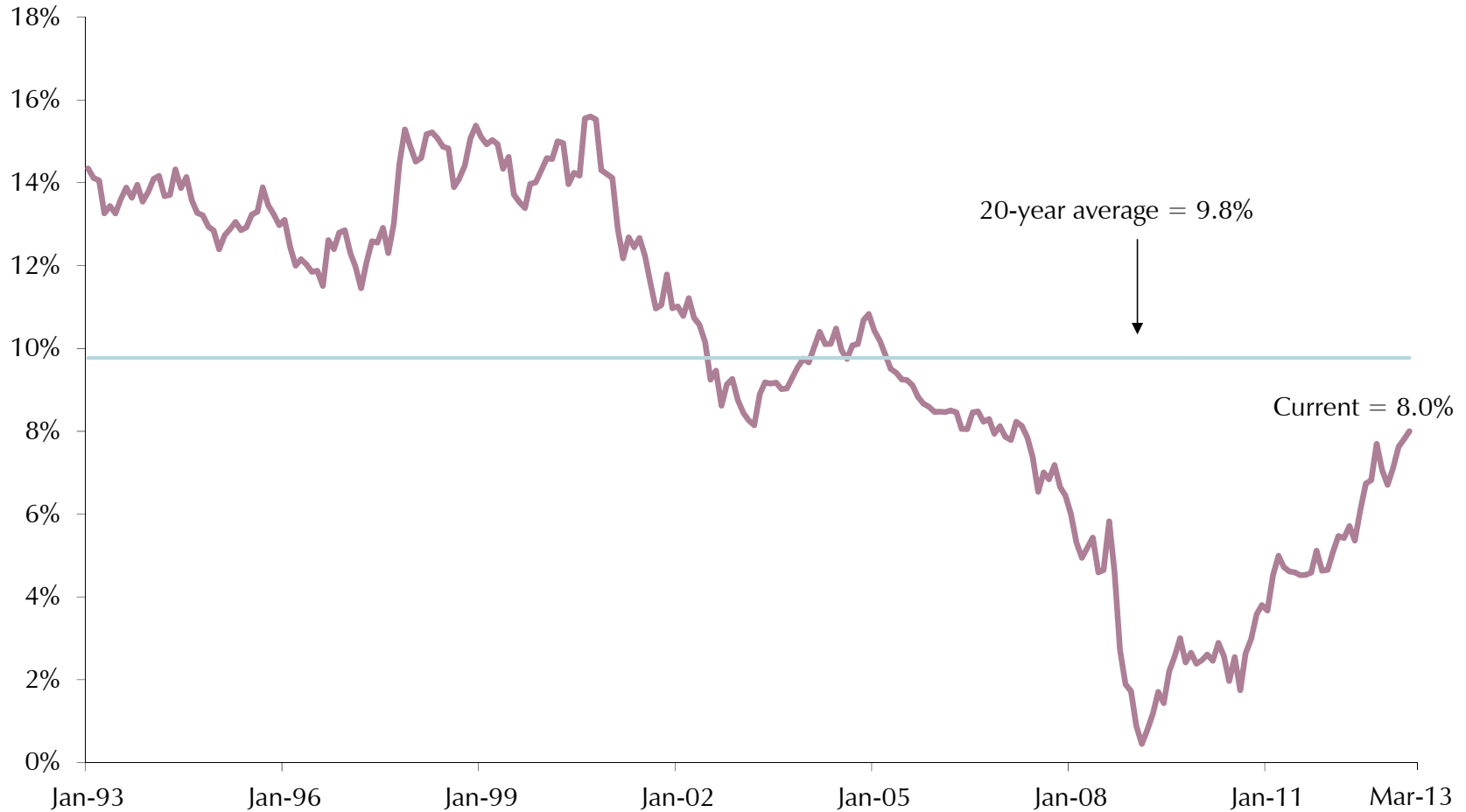


Equity Markets

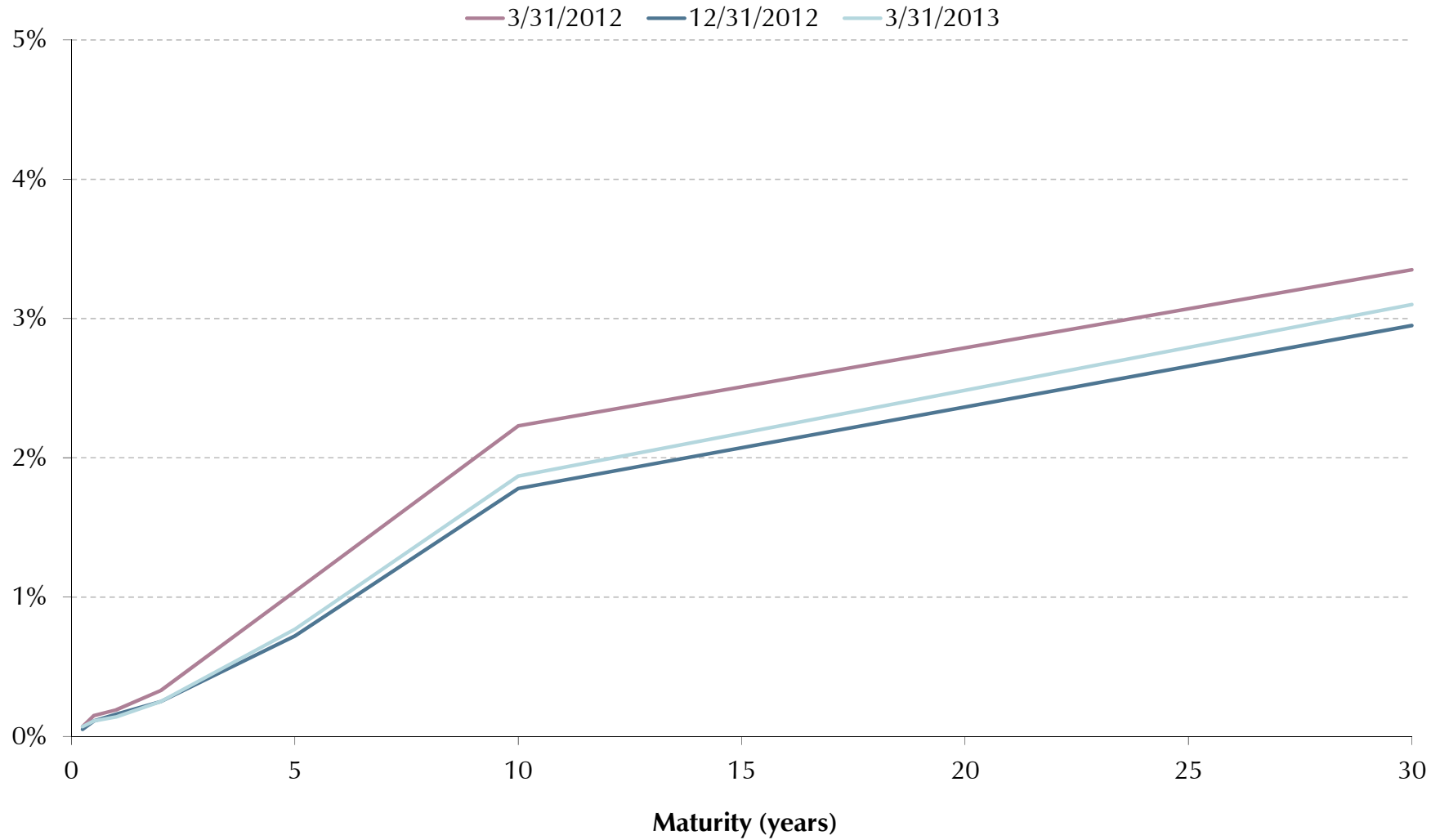


Rolling Ten-Year Returns: 65% Stocks and 35% Bonds

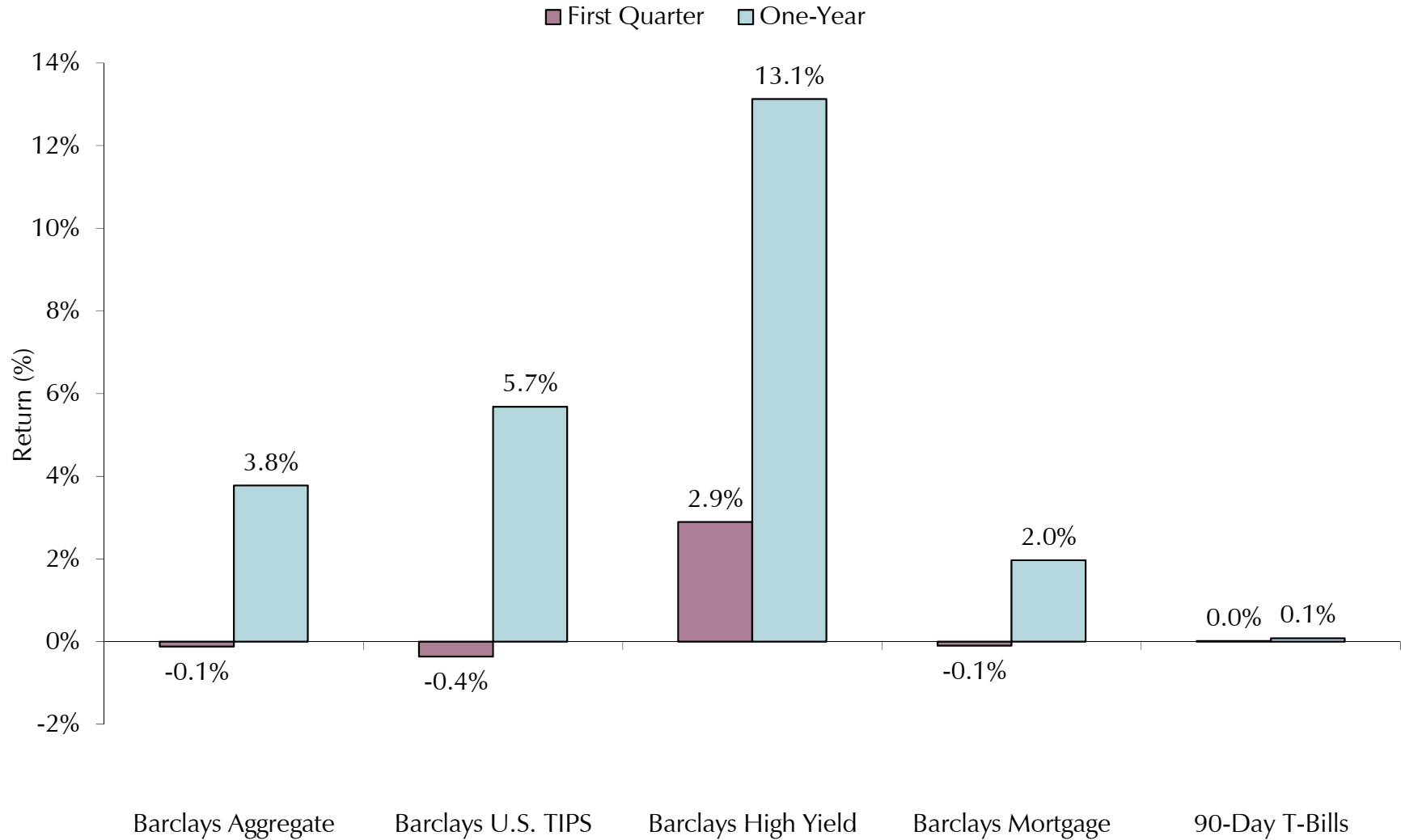
— 65% Stocks (Russell 3000) / 35% Bonds (Barclays Aggregate) 10-Year Rolling Return



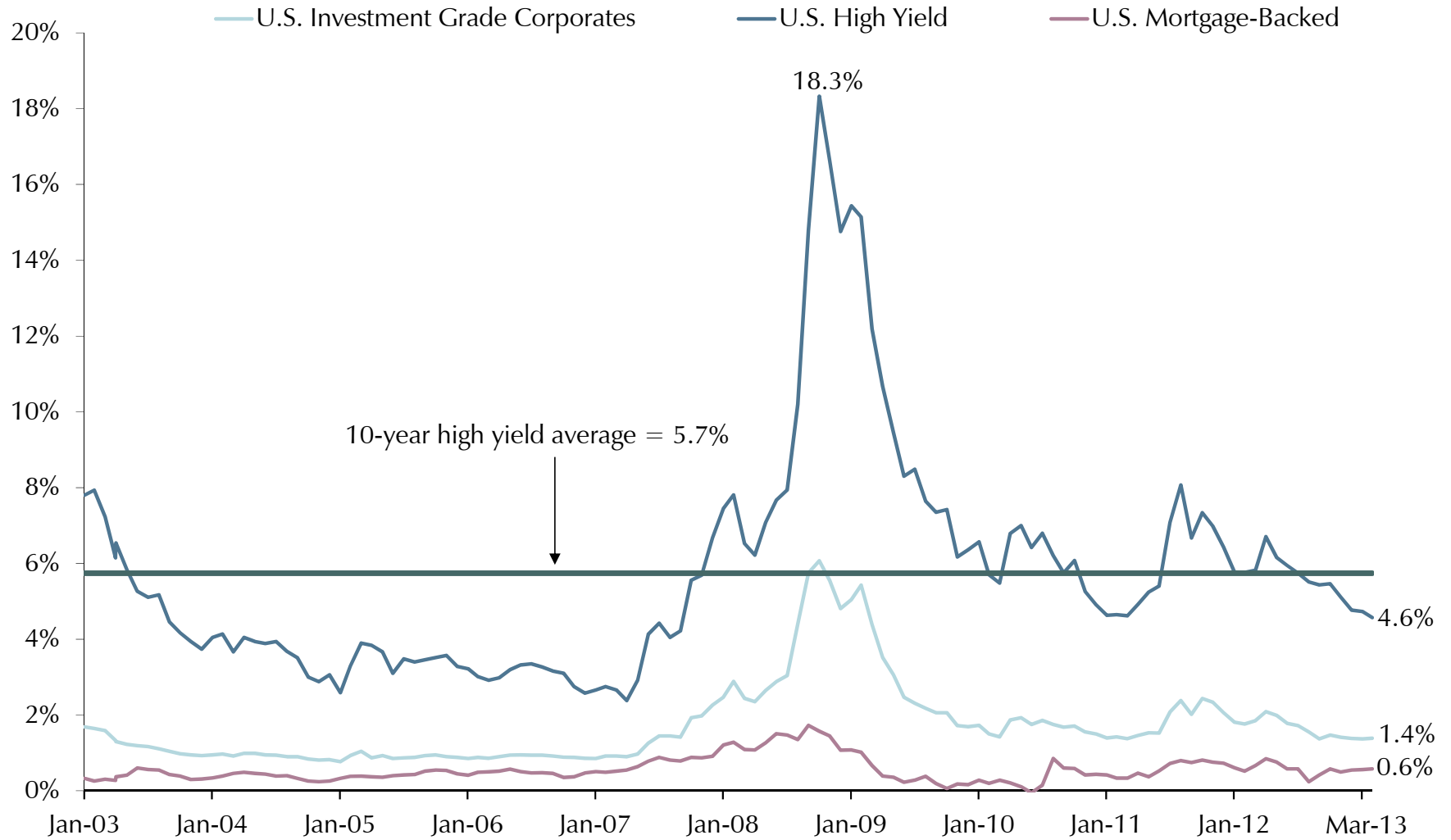
Treasury Yields



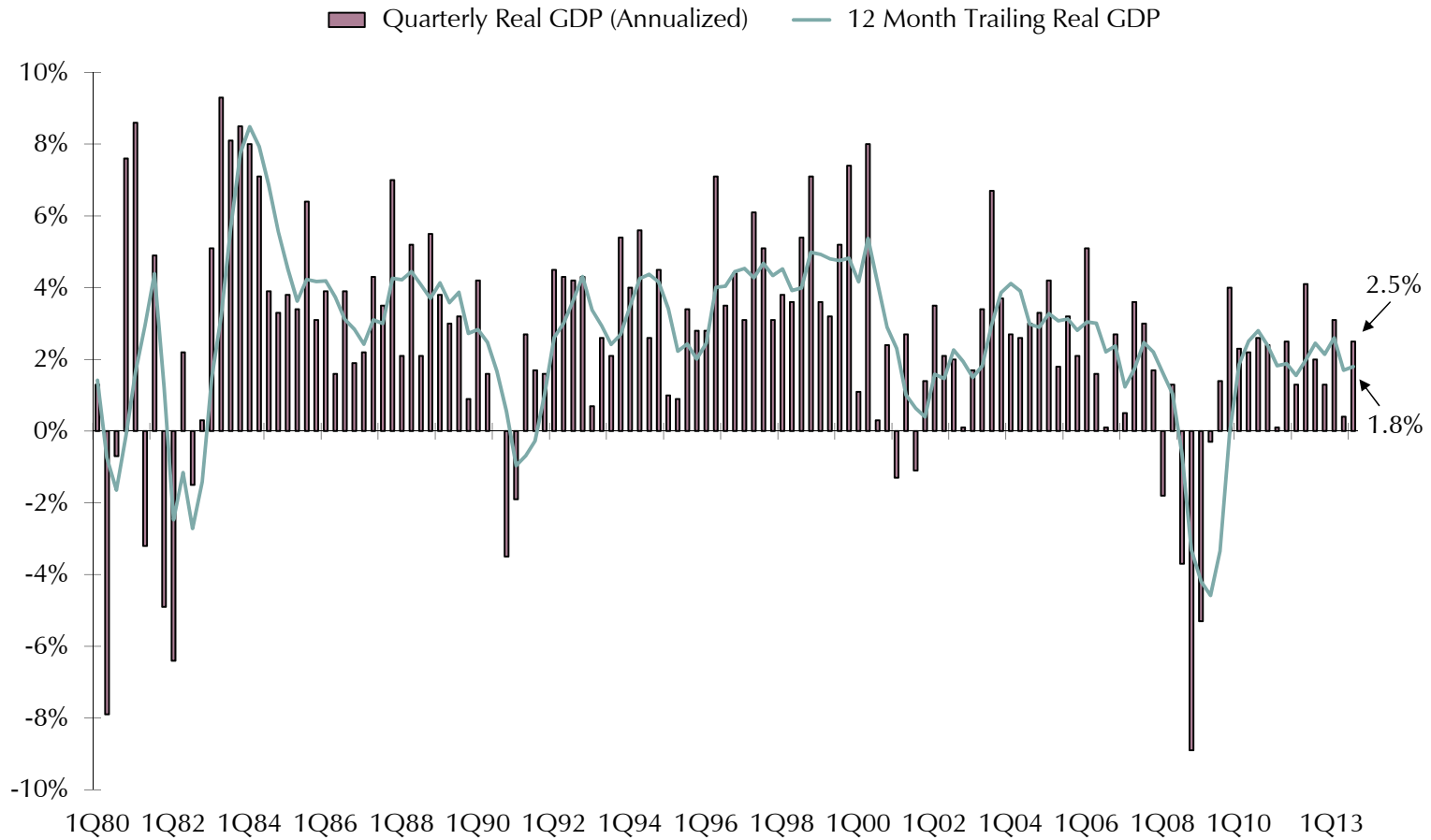
U.S. Fixed Income Markets



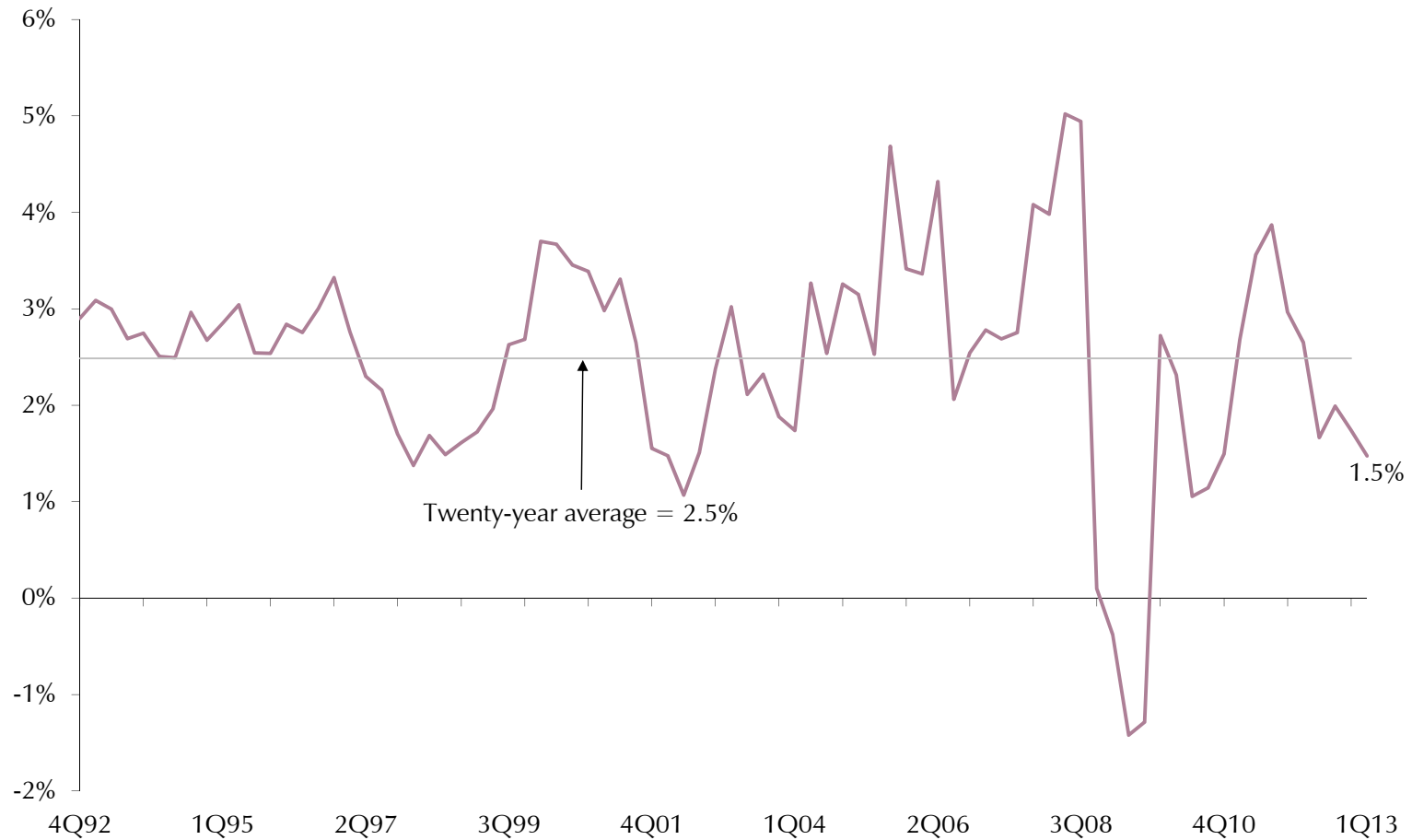
Credit Spreads vs. U.S. Treasury Bonds



Real Gross Domestic Product (GDP) Growth



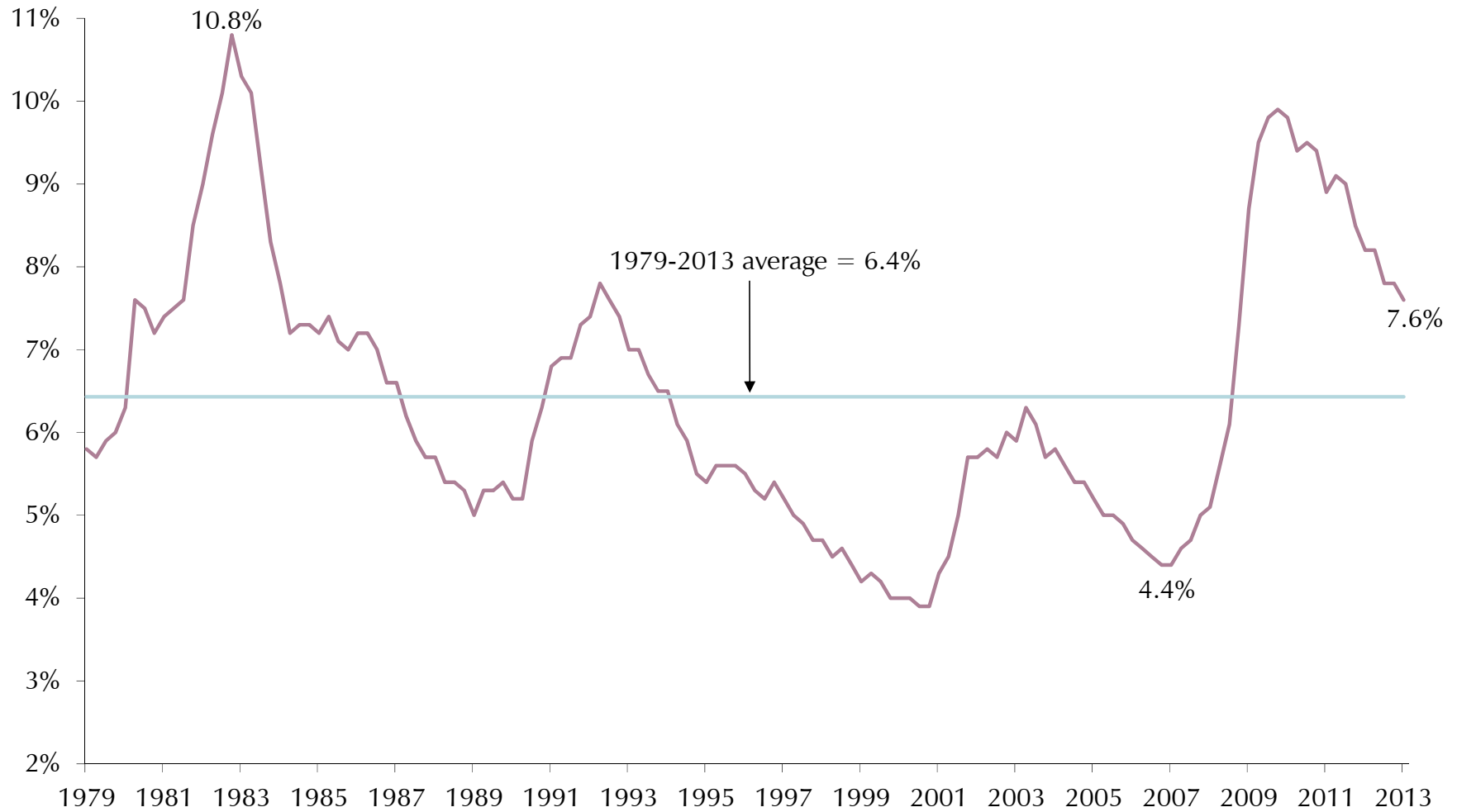
**U.S. Inflation (CPI)
Trailing Twelve Months¹**



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



U.S. Unemployment



Glossary and Notes
As of March 31, 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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.