

# FUND EVALUATION REPORT

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## San Jose Federated Retiree Health Care 115 Trust

Quarterly Review  
December 31, 2017



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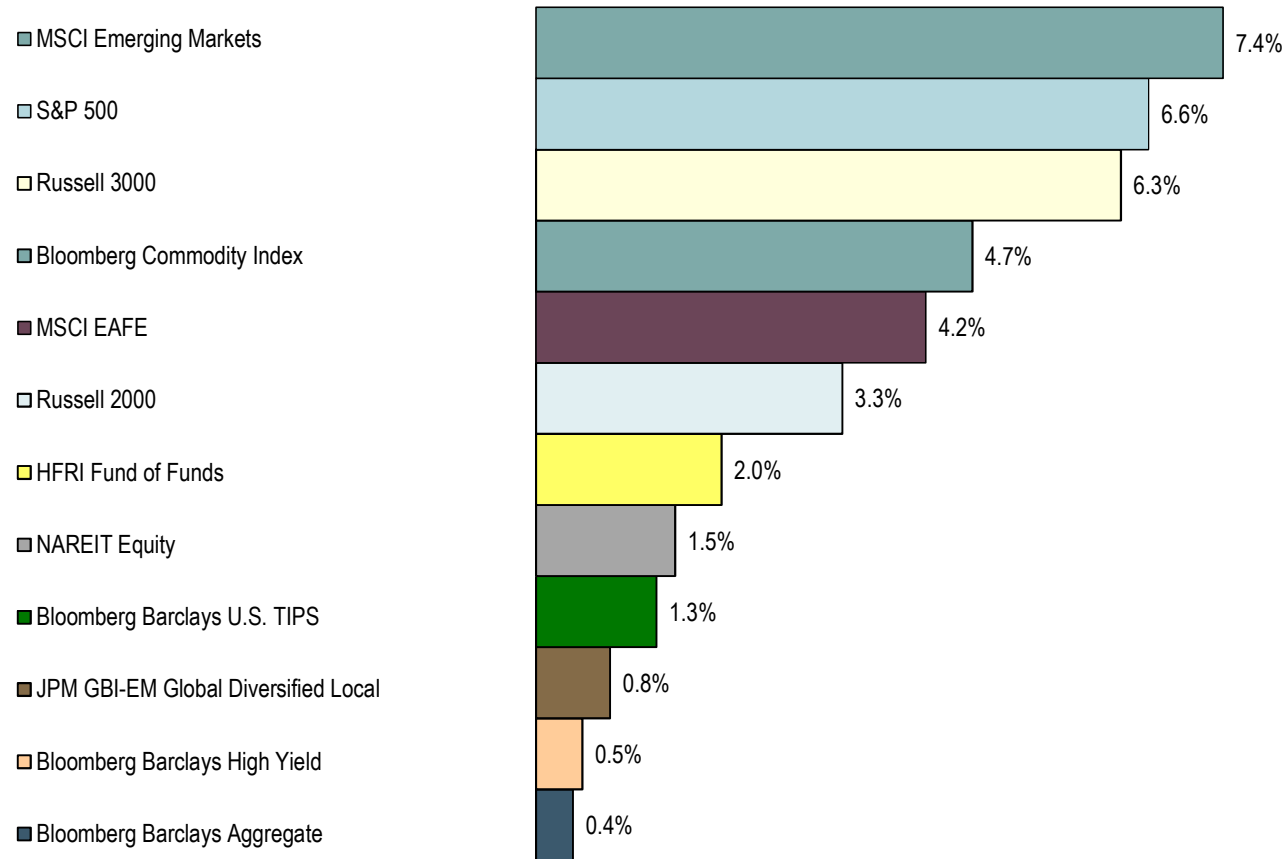
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- 1. The World Markets in the Fourth Quarter of 2017**
- 2. Executive Summary**
  - Aggregate Fund Overview
  - Manager Highlights
  - Fourth Quarter Manager Summary
  - Market Environment – 4Q17 Overview
- 3. 4Q17 Review**
- 4. Glossary and Notes**

# The World Markets Fourth Quarter of 2017

## The World Markets<sup>1</sup> Fourth Quarter of 2017



<sup>1</sup> Source: InvestorForce.

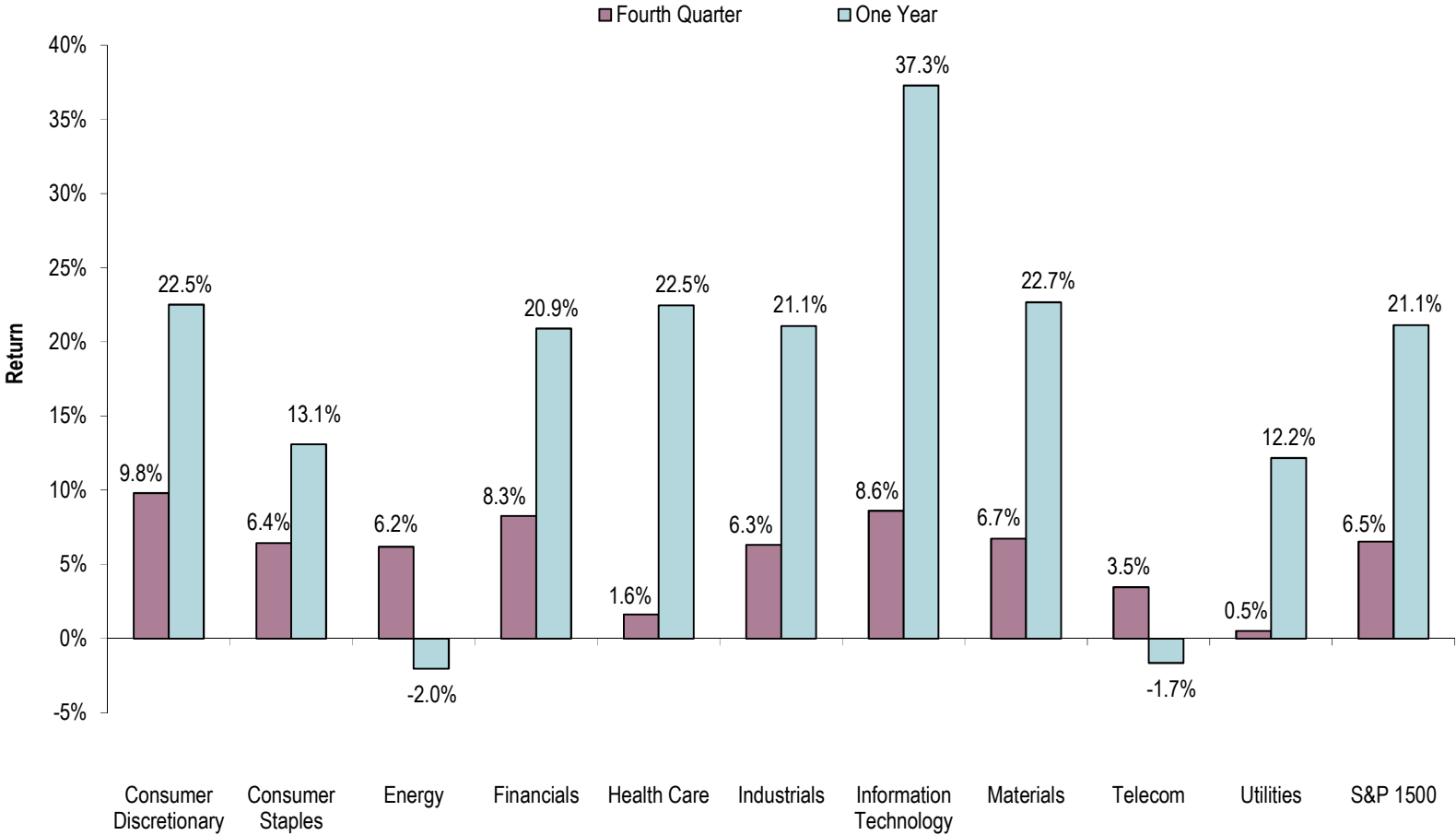


Index Returns<sup>1</sup>

	4Q17 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
Russell 3000	6.3	21.1	11.1	15.6	8.6
Russell 1000	6.6	21.7	11.2	15.7	8.6
Russell 1000 Growth	7.9	30.2	13.8	17.3	10.0
Russell 1000 Value	5.3	13.7	8.7	14.0	7.1
Russell MidCap	6.1	18.5	9.6	15.0	9.1
Russell MidCap Growth	6.8	25.3	10.3	15.3	9.1
Russell MidCap Value	5.5	13.3	9.0	14.7	9.1
Russell 2000	3.3	14.6	10.0	14.1	8.7
Russell 2000 Growth	4.6	22.2	10.3	15.2	9.2
Russell 2000 Value	2.0	7.8	9.5	13.0	8.2
<b>Foreign Equity</b>					
MSCI ACWI (ex. U.S.)	5.0	27.2	7.8	6.8	1.8
MSCI EAFE	4.2	25.0	7.8	7.9	1.9
MSCI EAFE (Local Currency)	3.7	15.2	8.5	11.4	3.3
MSCI EAFE Small Cap	6.1	33.0	14.2	12.9	5.8
MSCI Emerging Markets	7.4	37.3	9.1	4.3	1.7
MSCI Emerging Markets (Local Currency)	5.7	30.6	10.5	8.0	4.1
<b>Fixed Income</b>					
Bloomberg Barclays Universal	0.4	4.1	2.8	2.5	4.3
Bloomberg Barclays Aggregate	0.4	3.5	2.2	2.1	4.0
Bloomberg Barclays U.S. TIPS	1.3	3.0	2.0	0.1	3.5
Bloomberg Barclays High Yield	0.5	7.5	6.4	5.8	8.0
JPM GBI-EM Global Diversified (Local Currency)	0.8	8.9	7.1	5.8	8.3
<b>Other</b>					
NAREIT Equity	1.5	5.2	5.6	9.5	7.4
Bloomberg Commodity Index	4.7	1.7	-5.0	-8.5	-6.8
HFRI Fund of Funds	2.0	7.7	2.6	4.0	1.1

<sup>1</sup> Source: InvestorForce.

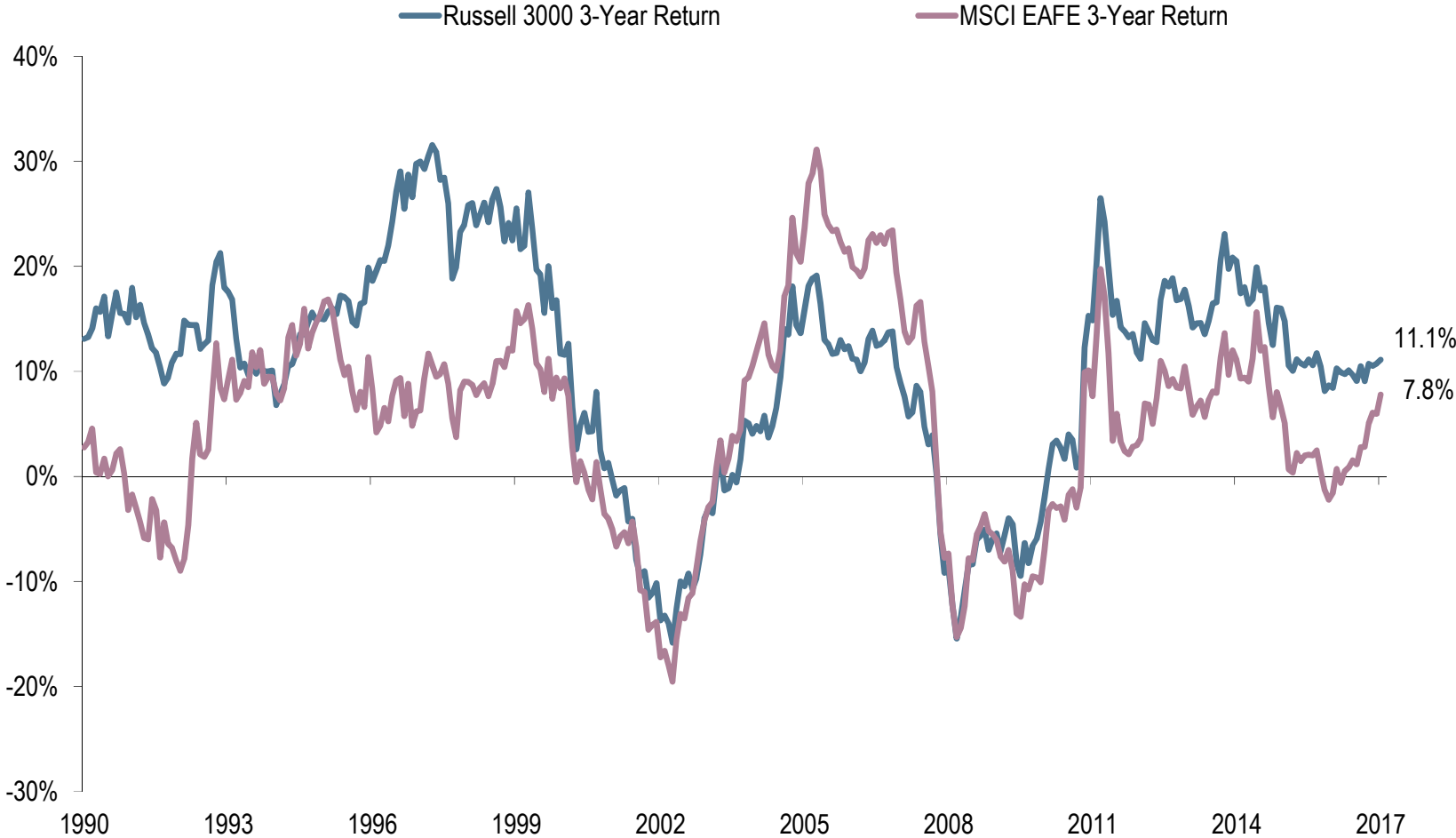
### S&P Sector Returns<sup>1</sup>



<sup>1</sup> Source: InvestorForce. Represents S&P 1500 (All Cap) data.



### U.S. and Developed Market Foreign Equity Rolling Three-Year Returns<sup>1</sup>

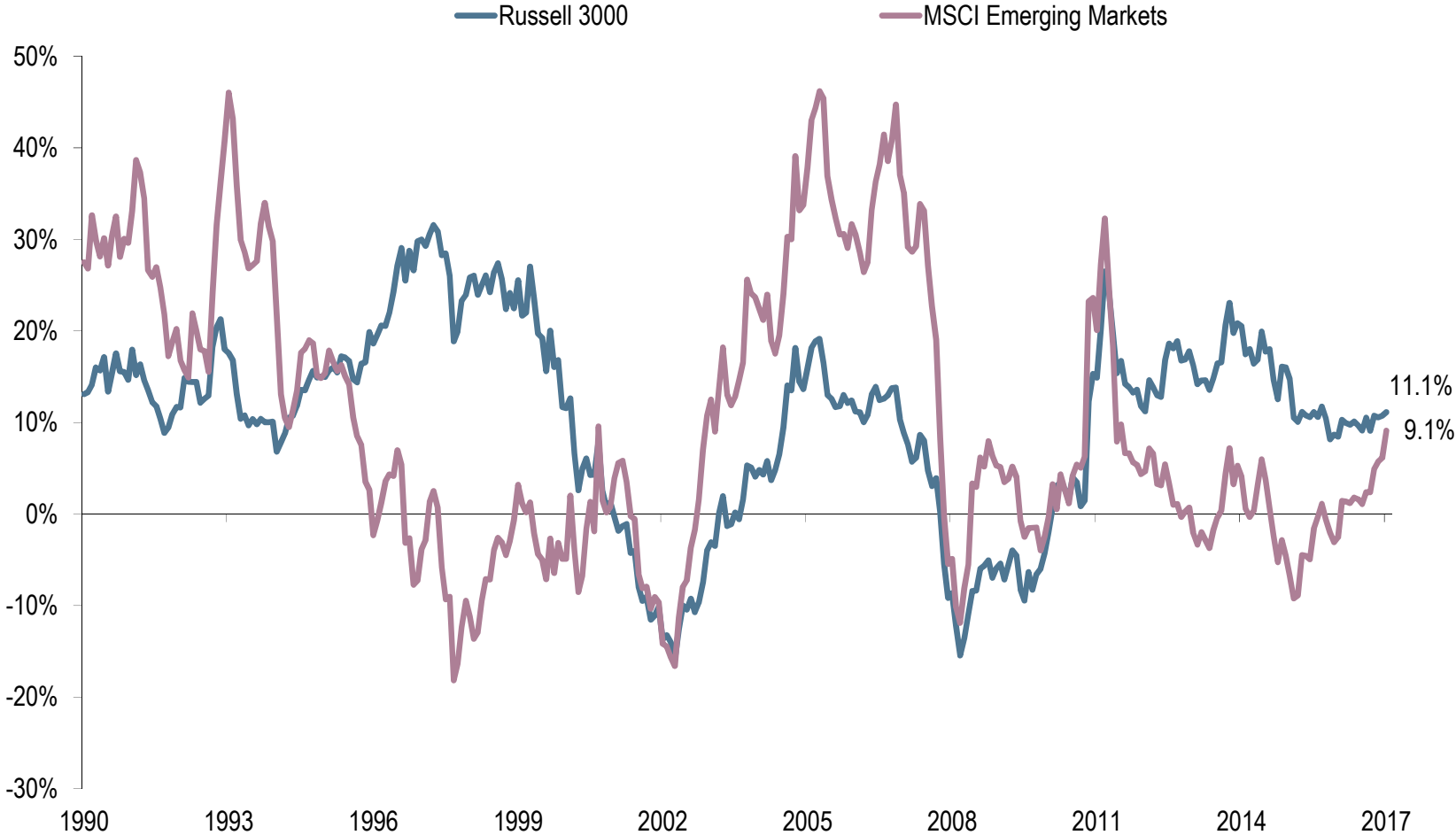


<sup>1</sup> Source: InvestorForce.





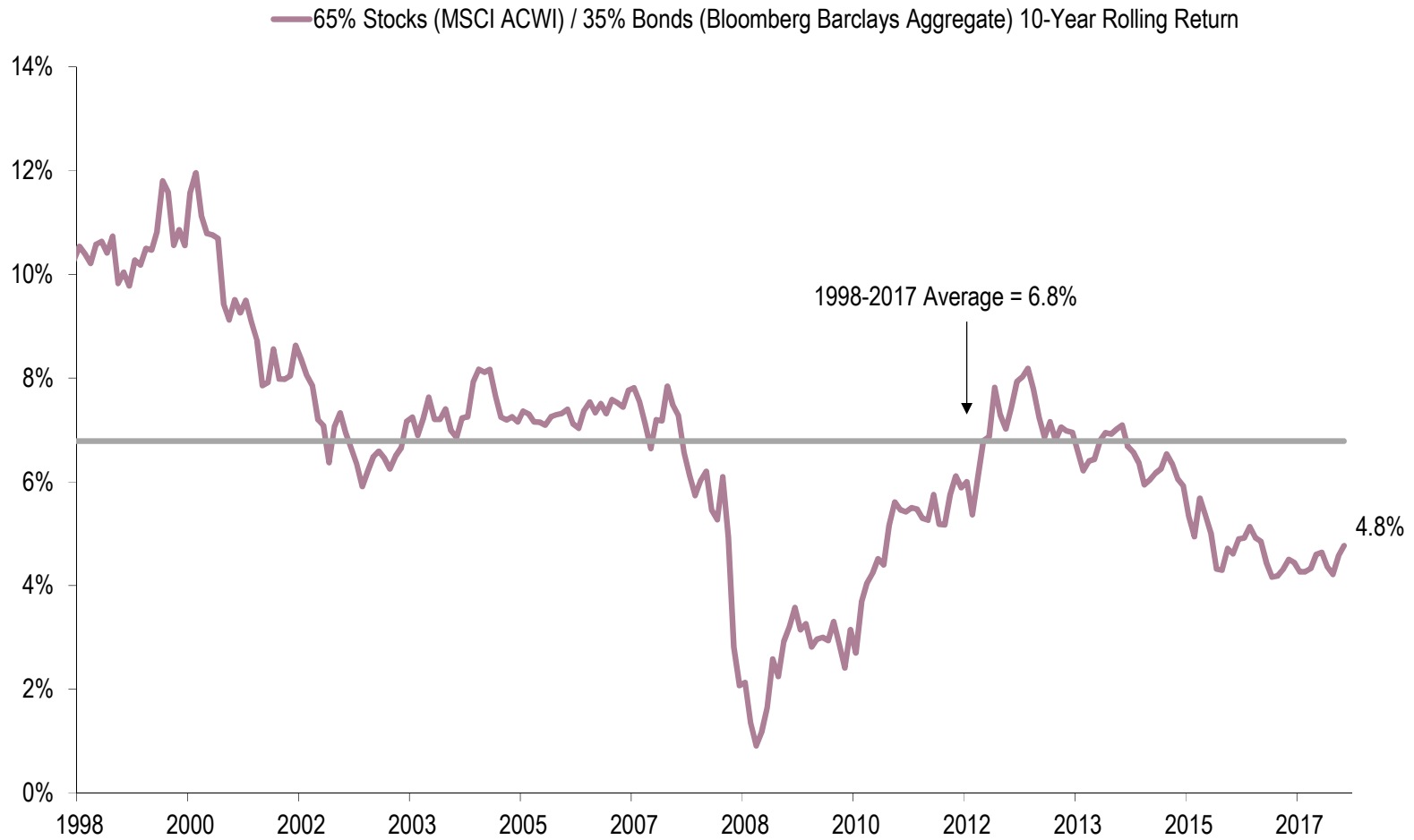
### U.S. and Emerging Market Equity Rolling Three-Year Returns<sup>1</sup>



<sup>1</sup> Source: InvestorForce.



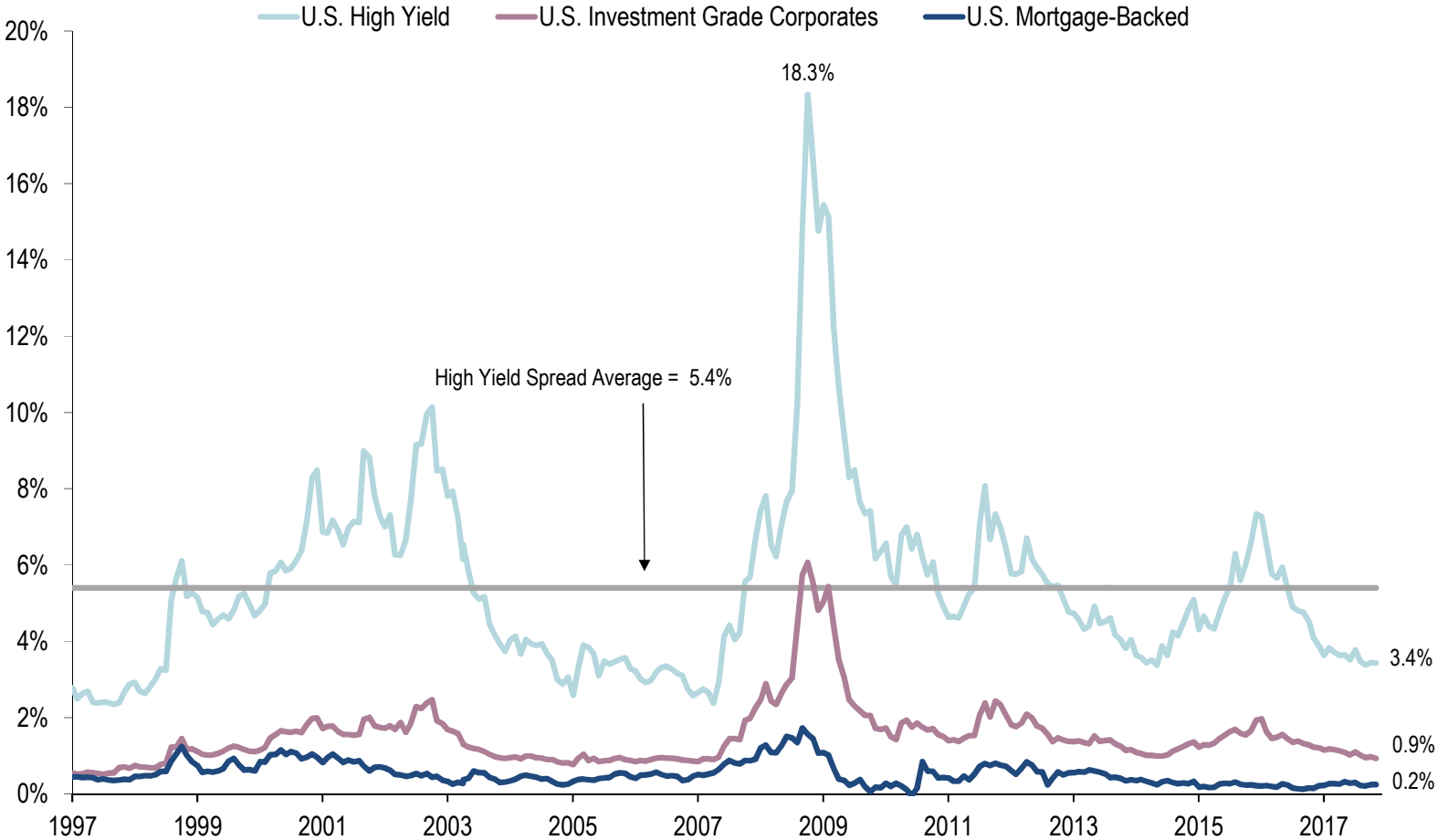
## Rolling Ten-Year Returns: 65% Stocks and 35% Bonds<sup>1</sup>



<sup>1</sup> Source: InvestorForce.



**Credit Spreads vs. U.S. Treasury Bonds<sup>1,2</sup>**

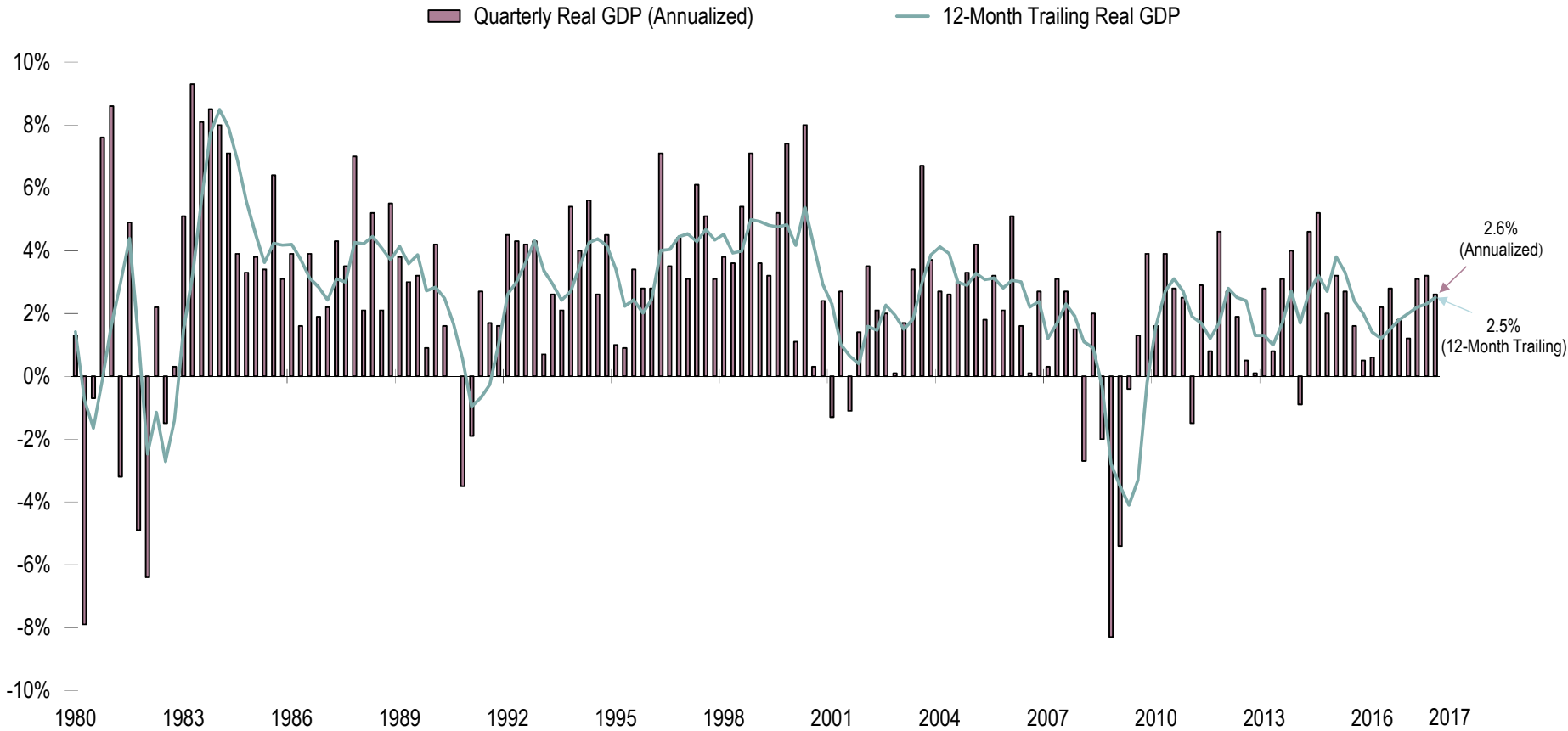


<sup>1</sup> Source: Barclays Live.

<sup>2</sup> The median high yield spread was 5.0% from 1997-2017.



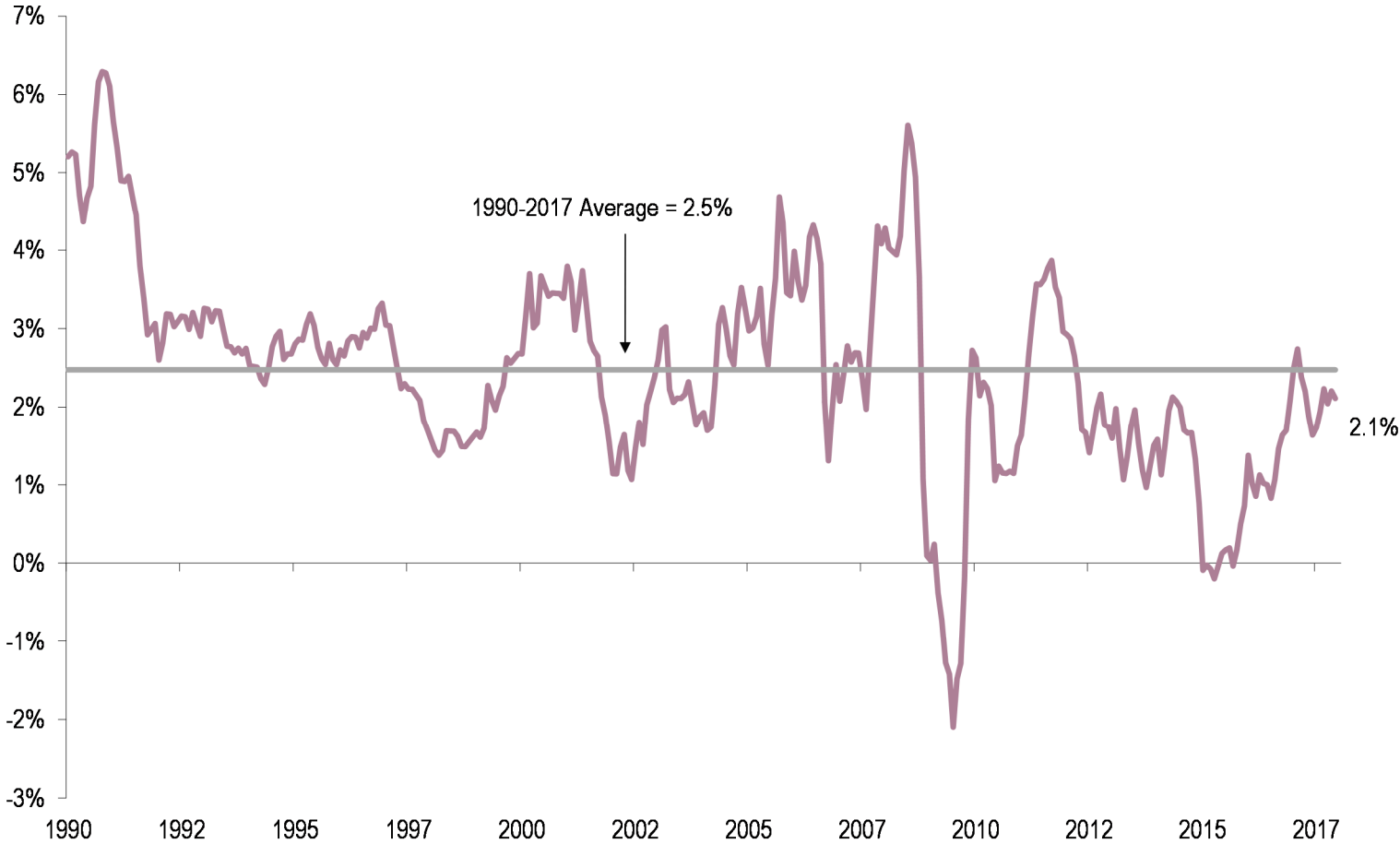
### U.S. Real Gross Domestic Product (GDP) Growth<sup>1</sup>



<sup>1</sup> Source: Bureau of Economic Analysis. Fourth quarter GDP data represents the first estimate.



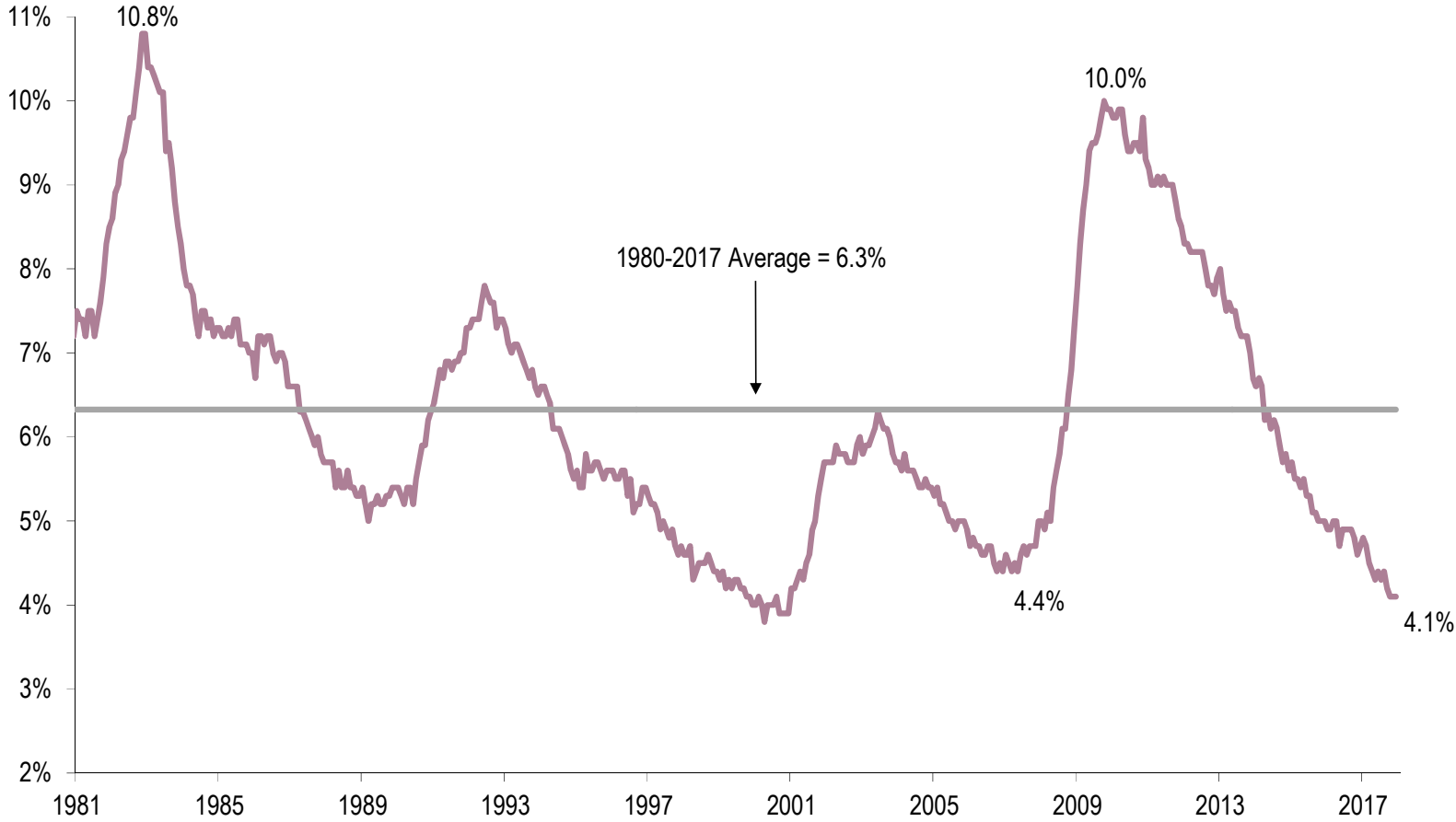
### U.S. Inflation (CPI) Trailing Twelve Months<sup>1</sup>



<sup>1</sup> Source: Bureau of Labor Statistics. Data is non-seasonally adjusted CPI, which may be volatile in the short-term. Data is as of December 31, 2017.



### U.S. Unemployment<sup>1</sup>



<sup>1</sup> Source: Bureau of Labor Statistics. Data is as of December 31, 2017.



**Executive Summary  
As of December 31, 2017**

**The value of the San Jose Federated Retiree Health Care Trust's assets was \$263.3 million on December 31, 2017, an increase of \$13.2 million from the end of the prior quarter. The Trust had \$6.9 million of net cash inflows for the quarter.**

- The Health Care Trust's net of fees performance was +2.5% for the quarter, underperforming the Policy and Custom Benchmark returns of +3.9% and +3.3%, respectively. For the one-year period the Trust returned +11.7%, compared to 15.7% for the Policy Benchmark and 13.1% for the Custom Benchmark.
- The Health Care Trust's Global Equity allocation ended the quarter just outside of its target range (39.8% vs. policy range of 40.0% - 54.0%), and the Cash allocation ended the quarter outside of its target range (12.1% vs. target range of 0.0% - 5.0%).
- On an absolute basis, all broad asset classes had positive returns for the quarter and one-year periods. Relative to benchmarks, broad asset class returns were mixed.
  - Total Global Equity returned +4.5% for the quarter and +23.4% in the one-year period. Total Global Equity underperformed the MSCI ACWI IMI in the quarter and one-year period by 120 and 50 basis points over the same time periods, respectively. For the quarter, the returns for subcomponents of the composite were all positive: Global Equity (+3.8%), U.S. Equity (+5.6%), International Equity (+4.1%), and Emerging Markets Equity (+5.9%).
  - Global Fixed Income trailed the BBgBarc Global Aggregate for the quarter (+0.3% vs. +1.1%) and one-year period (+2.6% vs. +7.4%).
  - Real Assets returned +3.4% for the quarter and +11.5% in the one-year period. Real Asset subcomponents were all positive for the quarter: Real Estate (+1.8%), Commodities (+3.8%), Infrastructure (+0.7%), and Natural Resources (+7.6%).
- The Health Care Trust did not add any additional investment managers during the quarter.



## Artisan

- Artisan Global Value returned +3.8% for the quarter and +21.9% in the one-year period, underperforming the MSCI ACWI Value by 100 basis points in the quarter but outperforming the benchmark by 360 basis points in the one-year period. All but four of the portfolio's holdings were up for the year, with the top three contributors being Samsung, Baidu, and Microsoft.

## Cove Street

- Cove Street Small Cap Value underperformed the Russell 2000 Value for the quarter (+1.0% vs. +2.0%), but in the one-year period Cove Street (+8.0%) has outperformed the benchmark by 20 basis points. Detractors in the quarter were highlighted by training and e-learning solutions provider GP Strategies and aerospace supplier Wesco Aircraft holdings, while contributors were led by cloud networking services provider GTT Communications and satellite company ViaSat.

## Aberdeen

- Aberdeen Frontier Markets Equity returned +4.5% for the quarter and +20.5% over the one-year period. Despite strong absolute performance, Aberdeen trailed the MSCI Frontier Markets' Equity Index by 110 and 1,140 basis points over the same periods, respectively. For the quarter, Aberdeen's exposure to Pakistan was the most significant detractor while the fund's underweight to Vietnam also weighed on performance. The most notable positive contribution came from the funds underweight to Kuwait, where the market fell on profit taking after a robust second quarter.

## Pinnacle

- Pinnacle Natural Resources returned +2.7% for the quarter and -3.9% over the one-year period, underperforming the Bloomberg Commodity Index by 200 and 560 basis points over the same periods, respectively. As of the end of the fourth quarter, the fund had the largest sector exposure to Grains, Natural Gas, and Crude Oil & Products.

<sup>1</sup> All returns calculated by the System's Custodian and are shown net of fees.



## Fourth Quarter Manager Summary

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation <sup>1</sup>	Comments
Artisan Global Value	Global Equity	---	---	---	---
Aberdeen Frontier Markets Equity	Frontier Markets Equity	Yes	---	Hold	Personnel Changes
Cove Street Small Cap Value	Small Cap Equity	---	---	---	---
American Core Realty Fund, LLC	Core Real Estate	---	---	---	---
PRISA I	Core Real Estate	---	---	---	---
Credit Suisse Risk Parity Commodity	Commodities	---	---	---	---
Pinnacle Natural Resources	Commodities	---	Yes	Terminate	Significant Underperformance

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



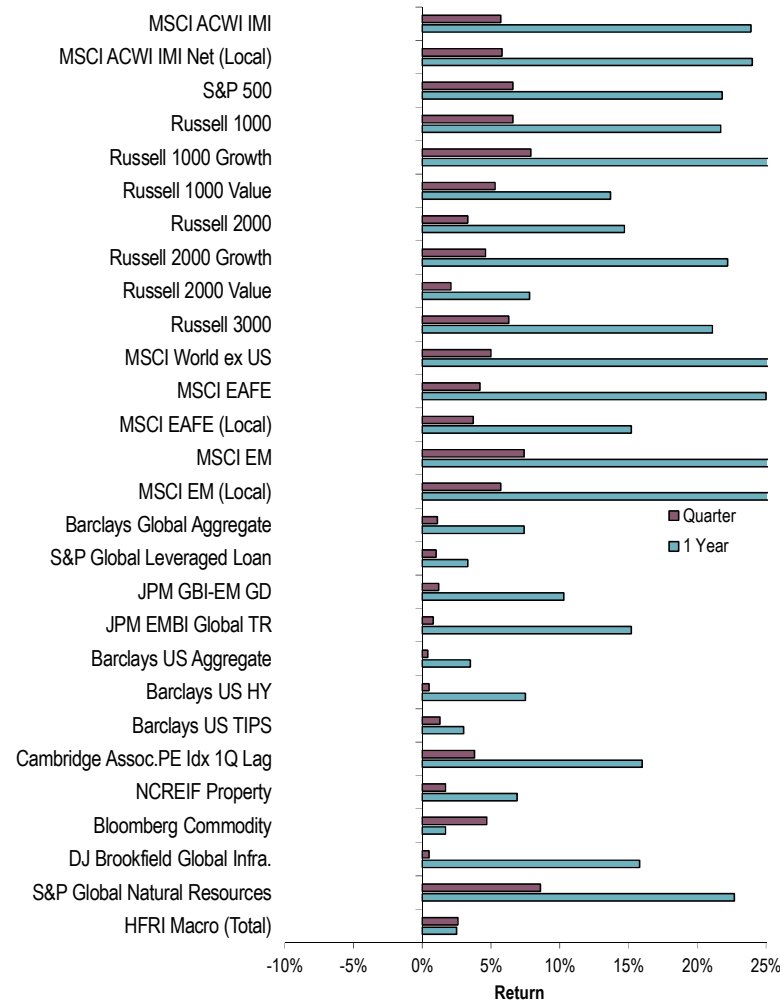
## **Aberdeen**

- Following the merger completion by Standard Life, Aberdeen added a Global Head of Investment Innovation and saw the departure of their Chief Marketing Officer in the fourth quarter.
- In the fourth quarter, two investment analysts on the Frontier Markets Equity team left the firm.

## **Pinnacle**

- Pinnacle Natural Resources underperformed the Bloomberg Commodity Index by 200 basis points in the quarter and is 1,110 basis points behind the benchmark since inception in January 2016.

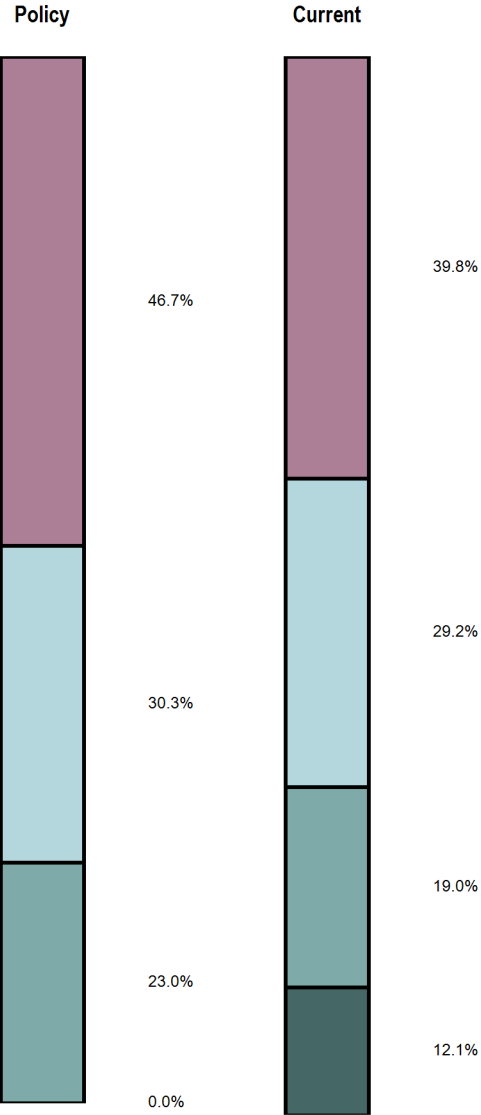
Benchmark	Scope	4Q17 (%)	1 YR (%)	3 YR (%)	5YR (%)	10 YR (%)
<b>Global Equity</b>						
MSCI ACWI IMI	World	5.7	23.9	9.5	11.0	5.0
MSCI ACWI IMI Net (Local)	World (Local Currency)	5.8	24.0	9.8	11.2	5.3
<b>Domestic Equity</b>						
S&P 500	Large Core	6.6	21.8	11.4	15.8	8.5
Russell 1000	Large Core	6.6	21.7	11.2	15.7	8.6
Russell 1000 Growth	Large Growth	7.9	30.2	13.8	17.3	10.0
Russell 1000 Value	Large Value	5.3	13.7	8.7	14.0	7.1
Russell 2000	Small Core	3.3	14.7	10.0	14.1	8.7
Russell 2000 Growth	Small Growth	4.6	22.2	10.3	15.2	9.2
Russell 2000 Value	Small Value	2.1	7.8	9.6	13.0	8.2
Russell 3000	All Cap Core	6.3	21.1	11.1	15.6	8.6
<b>International Equity</b>						
MSCI World ex US	World ex-US	5.0	27.2	7.8	6.8	1.8
MSCI EAFE	International Developed	4.2	25.0	7.8	7.9	1.9
MSCI EAFE (Local)	International Developed (Local Currency)	3.7	15.2	8.5	11.4	3.3
MSCI EM	Emerging Markets	7.4	37.3	9.1	4.3	1.7
MSCI EM (Local)	Emerging Markets (Local Currency)	5.7	30.6	10.5	8.0	4.1
<b>Global Fixed Income</b>						
Barclays Global Aggregate	Global Core Bonds	1.1	7.4	2.0	0.8	3.1
S&P Global Leveraged Loan	Bank Loans	1.0	3.3	3.7	3.4	4.6
JPM GBI-EM GD	Emerging Markets Bonds (Local Currency)	1.2	10.3	7.1	4.6	7.3
JPM EMBI Global TR	Emerging Market Bonds	0.8	15.2	2.5	-1.6	3.6
<b>Domestic Fixed Income</b>						
Barclays US Aggregate	Core Bonds	0.4	3.5	2.2	2.1	4.0
Barclays US HY	High Yield	0.5	7.5	6.4	5.8	8.0
Barclays US TIPS	Inflation	1.3	3.0	2.0	0.1	3.5
<b>Other</b>						
Cambridge Associates PE Index 1Qtr Lag	Private Equity	3.8	16.0	10.9	14.0	9.0
NCREIF Property	Real Estate	1.7	6.9	9.8	10.3	6.2
Bloomberg Commodity	Commodities	4.7	1.7	-5.0	-8.5	-6.8
DJ Brookfield Global Infrastructure	Infrastructure	0.5	15.8	3.7	8.5	6.7
S&P Global Natural Resources	Natural Resources	8.6	22.7	7.2	2.5	-0.4
HFRI Macro	Hedge Funds	2.6	2.5	-0.8	0.2	-1.1
MSCI ACWI IMI	World	5.7	23.9	9.5	11.0	5.0
MSCI ACWI IMI Net (Local)	World (Local Currency)	5.8	24.0	9.8	11.2	5.3



## 4Q17 Review

Total Fund Aggregate

As of December 31, 2017



Allocation vs. Targets and Policy							
	Current Balance	Current Allocation	Policy	Difference	Policy Range	Within IPS Range?	
Total Global Equity	\$104,793,442	39.8%	46.7%	-6.9%	40.0% - 54.0%	No	
Global Fixed Income	\$76,782,826	29.2%	30.3%	-1.1%	20.0% - 40.0%	Yes	
Real Assets	\$49,905,821	19.0%	23.0%	-4.0%	15.0% - 30.0%	Yes	
Cash	\$31,857,338	12.1%	0.0%	12.1%	0.0% - 5.0%	No	
<b>Total</b>	<b>\$263,339,426</b>	<b>100.0%</b>	<b>100.0%</b>				

## Total Fund Aggregate

As of December 31, 2017

## Asset Class Net Performance Summary

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Fund Aggregate</b>	<b>263,339,427</b>	<b>100.0</b>	<b>2.5</b>	<b>5.5</b>	<b>11.7</b>	<b>4.5</b>	<b>5.0</b>	<b>--</b>	<b>5.1</b>	<b>Jul-11</b>
Consumer Price Index			-0.1	0.6	2.1	1.6	1.4	--	1.4	Jul-11
San Jose Healthcare Policy Benchmark			3.9	8.0	15.7	6.1	6.3	--	5.6	Jul-11
San Jose Healthcare Custom Benchmark			3.3	6.6	13.1	4.5	5.2	--	5.3	Jul-11
InvestorForce Health & Welfare \$50mm - \$250mm Gross Median			1.8	3.7	7.9	4.8	5.2	5.0	5.3	Jul-11
InvestorForce Health & Welfare \$50mm - \$250mm Gross Rank			31	28	29	60	53	--	54	Jul-11
<b>Total Global Equity</b>	<b>104,793,442</b>	<b>39.8</b>	<b>4.5</b>	<b>10.0</b>	<b>23.4</b>	<b>9.8</b>	<b>10.8</b>	<b>--</b>	<b>11.8</b>	<b>Dec-11</b>
MSCI ACWI IMI Net USD			5.7	11.3	23.9	9.5	11.0	--	11.7	Dec-11
eV All Global Equity Net Median			5.1	10.5	23.0	9.0	11.4	5.5	11.9	Dec-11
eV All Global Equity Net Rank			68	58	49	37	60	--	54	Dec-11
<b>Global Fixed Income</b>	<b>76,782,826</b>	<b>29.2</b>	<b>0.3</b>	<b>1.0</b>	<b>2.6</b>	<b>1.8</b>	<b>1.1</b>	<b>--</b>	<b>1.8</b>	<b>Dec-11</b>
BBgBarc Global Aggregate TR			1.1	2.9	7.4	2.0	0.8	--	1.5	Dec-11
eV All US Fixed Inc Net Median			0.4	1.4	3.9	2.6	2.4	4.2	3.3	Dec-11
eV All US Fixed Inc Net Rank			57	63	69	71	84	--	78	Dec-11
<b>Real Assets</b>	<b>49,905,821</b>	<b>19.0</b>	<b>3.4</b>	<b>7.8</b>	<b>11.5</b>	<b>0.2</b>	<b>-4.1</b>	<b>--</b>	<b>-5.1</b>	<b>Aug-11</b>
NCREIF ODCE Equal Weighted (Net)			1.9	3.7	6.9	9.8	10.6	--	10.8	Aug-11
Bloomberg Commodity Index TR USD			4.7	7.3	1.7	-5.0	-8.5	--	-8.9	Aug-11
DJ Brookfield Global Infrastructure Net TR USD			0.5	3.8	15.8	3.7	--	--	--	Aug-11
S&P Global Natural Resources Index TR USD			8.6	20.3	22.7	7.2	2.5	--	0.2	Aug-11
<b>Cash</b>	<b>31,857,338</b>	<b>12.1</b>								
91 Day T-Bills										

<sup>1</sup> Fiscal Year begins July 1.<sup>2</sup> Please see the Appendix for composition of the San Jose Health Care 115 Trust Policy Benchmark.<sup>3</sup> Custom Benchmark consists of the individual benchmarks that comprise the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

## Total Fund Aggregate

As of December 31, 2017

## Trailing Net Performance

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Global Equity</b>	<b>104,793,442</b>	<b>39.8</b>	<b>4.5</b>	<b>10.0</b>	<b>23.4</b>	<b>9.8</b>	<b>10.8</b>	<b>--</b>	<b>11.8</b>	<b>Dec-11</b>
MSCI ACWI IMI Net USD			5.7	11.3	23.9	9.5	11.0	--	11.7	Dec-11
eV All Global Equity Net Median			5.1	10.5	23.0	9.0	11.4	5.5	11.9	Dec-11
eV All Global Equity Net Rank			68	58	49	37	60	--	54	Dec-11
<b>Global Equity</b>	<b>36,522,955</b>	<b>13.9</b>	<b>3.8</b>	<b>9.3</b>	<b>21.9</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10.9</b>	<b>Jul-15</b>
MSCI ACWI IMI Net USD			5.7	11.3	23.9	--	--	--	10.2	Jul-15
Artisan Global Value	36,522,955	13.9	3.8	9.3	21.9	--	--	--	9.6	Jun-15
MSCI ACWI Value NR USD			4.8	9.7	18.3	--	--	--	7.6	Jun-15
eV Global Value Equity Net Median			4.5	8.8	19.2	8.5	11.0	5.4	8.0	Jun-15
eV Global Value Equity Net Rank			71	47	35	--	--	--	24	Jun-15
<b>U.S. Equity</b>	<b>16,374,445</b>	<b>6.2</b>	<b>5.6</b>	<b>10.2</b>	<b>19.3</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>12.0</b>	<b>Jul-15</b>
Russell 3000			6.3	11.2	21.1	--	--	--	12.6	Jul-15
Northern Trust Russell 3000	14,292,234	5.4	6.3	11.2	21.1	--	--	--	11.6	Jun-15
Russell 3000			6.3	11.2	21.1	--	--	--	11.5	Jun-15
Cove Street Small Cap Value	2,082,211	0.8	1.0	4.1	8.0	--	--	--	7.3	Jun-15
Russell 2000 Value			2.0	7.3	7.8	--	--	--	10.9	Jun-15
eV US Small Cap Value Equity Net Median			3.5	8.7	10.3	9.6	13.7	9.0	10.2	Jun-15
eV US Small Cap Value Equity Net Rank			93	91	69	--	--	--	83	Jun-15

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



## Total Fund Aggregate

As of December 31, 2017

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>International Equity</b>	<b>36,518,261</b>	<b>13.9</b>	<b>4.1</b>	<b>9.7</b>	<b>25.3</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7.3</b>	<b>Jul-15</b>
<i>MSCI EAFE</i>			4.2	9.9	25.0	--	--	--	7.1	Jul-15
Northern Trust EAFE Index	29,580,953	11.2	4.2	9.9	25.2	--	--	--	7.2	Jul-15
<i>MSCI EAFE</i>			4.2	9.9	25.0	--	--	--	7.1	Jul-15
Vanguard Developed Markets Index	6,937,308	2.6	4.5	10.3	26.5	9.0	8.3	--	9.4	Dec-11
<i>Spliced Developed (ex. U.S.) Index</i>			4.9	10.9	26.3	8.8	8.5	--	9.6	Dec-11
<b>Emerging Markets Equity</b>	<b>15,377,781</b>	<b>5.8</b>	<b>5.9</b>	<b>12.6</b>	<b>29.0</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>9.1</b>	<b>Jul-15</b>
<i>MSCI Emerging Markets</i>			7.4	15.9	37.3	--	--	--	9.7	Jul-15
Vanguard Emerging Markets Stock Index	12,867,984	4.9	6.3	14.5	31.5	--	--	--	20.9	Apr-16
<i>Spliced Emerging Markets Index</i>			6.7	14.8	31.0	--	--	--	20.7	Apr-16
Aberdeen Frontier Markets Equity	2,509,797	1.0	4.5	5.9	20.5	--	--	--	3.3	Jul-15
<i>MSCI Frontier Markets</i>			5.6	14.1	31.9	--	--	--	7.4	Jul-15
<b>Global Fixed Income</b>	<b>76,782,826</b>	<b>29.2</b>	<b>0.3</b>	<b>1.0</b>	<b>2.6</b>	<b>1.8</b>	<b>1.1</b>	<b>--</b>	<b>1.8</b>	<b>Dec-11</b>
<i>BBgBarc Global Aggregate TR</i>			1.1	2.9	7.4	2.0	0.8	--	1.5	Dec-11
<i>eV All US Fixed Inc Net Median</i>			0.4	1.4	3.9	2.6	2.4	4.2	3.3	Dec-11
<i>eV All US Fixed Inc Net Rank</i>			57	63	69	71	84	--	78	Dec-11
<b>Global Core</b>	<b>76,782,826</b>	<b>29.2</b>	<b>0.3</b>	<b>1.0</b>	<b>2.6</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2.0</b>	<b>Jul-15</b>
<i>BBgBarc Global Aggregate TR</i>			1.1	2.9	7.4	--	--	--	3.7	Jul-15

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

## Total Fund Aggregate

As of December 31, 2017

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Northern Trust Barclays Aggregate	55,215,560	21.0	0.4	1.2	3.7	--	--	--	2.2	Jun-15
<i>BBgBarc US Aggregate TR</i>			0.4	1.2	3.5	--	--	--	2.2	Jun-15
Vanguard Short-Term Inflation-Protected Securities	21,567,266	8.2	0.2	0.6	0.8	--	--	--	1.0	Mar-15
<i>BBgBarc US Treasury TIPS 0-5 Yr TR</i>			0.2	0.7	0.9	--	--	--	1.0	Mar-15
<b>Real Assets</b>	<b>49,905,821</b>	<b>19.0</b>	<b>3.4</b>	<b>7.8</b>	<b>11.5</b>	<b>0.2</b>	<b>-4.1</b>	<b>--</b>	<b>-5.1</b>	<b>Aug-11</b>
<i>NCREIF ODCE Equal Weighted (Net)</i>			1.9	3.7	6.9	9.8	10.6	--	10.8	Aug-11
<i>Bloomberg Commodity Index TR USD</i>			4.7	7.3	1.7	-5.0	-8.5	--	-8.9	Aug-11
<i>DJ Brookfield Global Infrastructure Net TR USD</i>			0.5	3.8	15.8	3.7	--	--	--	Aug-11
<i>S&amp;P Global Natural Resources Index TR USD</i>			8.6	20.3	22.7	7.2	2.5	--	0.2	Aug-11
<b>Real Estate</b>	<b>11,299,720</b>	<b>4.3</b>	<b>1.8</b>	<b>2.8</b>	<b>6.6</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.7</b>	<b>Jul-15</b>
<i>NCREIF ODCE Equal Weighted (Net)</i>			1.9	3.7	6.9	--	--	--	8.8	Jul-15
American Core Realty Fund, LLC	6,916,664	2.6	1.6	3.3	6.3	--	--	--	6.7	Jul-15
<i>NCREIF ODCE Equal Weighted (Net)</i>			1.9	3.7	6.9	--	--	--	8.8	Jul-15
PRISA	4,383,056	1.7	2.0	2.0	7.0	--	--	--	5.4	Apr-16
<i>NCREIF ODCE Equal Weighted (Net)</i>			1.9	3.7	6.9	--	--	--	7.4	Apr-16
<b>Commodities</b>	<b>16,782,183</b>	<b>6.4</b>	<b>3.8</b>	<b>6.4</b>	<b>5.8</b>	<b>-4.9</b>	<b>--</b>	<b>--</b>	<b>-4.9</b>	<b>Jan-15</b>
<i>Bloomberg Commodity Index TR USD</i>			4.7	7.3	1.7	-5.0	--	--	-5.0	Jan-15
Credit Suisse Risk Parity Commodity Fund	14,045,055	5.3	4.1	7.4	9.1	-1.9	-4.8	--	-5.0	Aug-11
<i>Bloomberg Commodity Index TR USD</i>			4.7	7.3	1.7	-5.0	-8.5	--	-8.9	Aug-11
Pinnacle Natural Resources, L.P.	2,737,128	1.0	2.7	3.3	-3.9	--	--	--	-4.5	Jan-16
<i>Bloomberg Commodity Index TR USD</i>			4.7	7.3	1.7	--	--	--	6.6	Jan-16

<sup>1</sup> Fiscal Year begins July 1.<sup>2</sup> Infrastructure tracking error due to a cash position resulting from a delay in the ability to invest in certain markets.

## Total Fund Aggregate

As of December 31, 2017

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Infrastructure</b>	<b>10,679,503</b>	<b>4.1</b>	<b>0.7</b>	<b>4.2</b>	<b>16.6</b>	<b>4.6</b>	<b>--</b>	<b>--</b>	<b>5.3</b>	<b>Jun-15</b>
<i>DJ Brookfield Global Infrastructure Net TR USD</i>			0.5	3.8	15.8	3.7	--	--	4.1	Jun-15
Rhumbline DJ Brookfield Infrastructure	10,679,503	4.1	0.7	4.2	16.6	--	--	--	5.3	Jun-15
<i>DJ Brookfield Global Infrastructure Net TR USD</i>			0.5	3.8	15.8	--	--	--	4.1	Jun-15
<b>Public Natural Resources</b>	<b>11,144,415</b>	<b>4.2</b>	<b>7.6</b>	<b>19.6</b>	<b>18.8</b>	<b>4.0</b>	<b>--</b>	<b>--</b>	<b>4.7</b>	<b>Jun-15</b>
<i>S&amp;P Global Natural Resources Index TR USD</i>			8.6	20.3	22.7	7.2	--	--	7.4	Jun-15
Rhumbline Global LargeMid Natural Resources	11,144,415	4.2	7.6	19.6	18.8	--	--	--	4.7	Jun-15
<i>S&amp;P Global Lrg MidCap Commo Resource NET</i>			7.6	19.3	18.1	--	--	--	3.9	Jun-15
<b>Cash</b>	<b>31,857,338</b>	<b>12.1</b>								
<i>91 Day T-Bills</i>										

## Total Fund Aggregate

As of December 31, 2017

## Cash Flow Summary

QTD Ending December 31, 2017

	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Aberdeen Frontier Markets Equity	\$2,402,697	\$0	-\$9,216	-\$9,216	\$116,316	\$2,509,797
American Core Realty Fund, LLC	\$6,807,560	\$0	-\$19,021	-\$19,021	\$128,125	\$6,916,664
Artisan Global Value	\$35,177,582	\$0	-\$95,887	-\$95,887	\$1,441,261	\$36,522,955
Cove Street Small Cap Value	\$2,061,402	\$0	-\$4,128	-\$4,128	\$24,937	\$2,082,211
Credit Suisse Risk Parity Commodity Fund	\$8,626,226	\$5,000,000	-\$14,577	\$4,985,423	\$433,407	\$14,045,055
Internal Cash Account	\$44,771,439	\$8,174,738	-\$21,111,958	-\$12,937,220	\$23,119	\$31,857,338
Northern Trust Barclays Aggregate	\$48,020,554	\$7,000,000	-\$3,956	\$6,996,044	\$198,961	\$55,215,560
Northern Trust EAFE Index	\$23,533,010	\$5,000,000	-\$3,444	\$4,996,556	\$1,051,386	\$29,580,953
Northern Trust Russell 3000	\$13,440,256	\$0	-\$1,054	-\$1,054	\$853,033	\$14,292,234
Pinnacle Natural Resources, L.P.	\$2,664,960	\$0	-\$7,395	-\$7,395	\$79,563	\$2,737,128
PRISA	\$4,296,136	\$0	-\$10,958	-\$10,958	\$97,878	\$4,383,056
Rhumblin DJ Brookfield Infrastructure	\$10,609,504	\$0	-\$2,673	-\$2,673	\$72,671	\$10,679,503
Rhumblin Global LargeMid Natural Resources	\$10,354,540	\$0	-\$1,291	-\$1,291	\$791,166	\$11,144,415
Vanguard Developed Markets Index	\$6,641,712	\$0	-\$1,197	-\$1,197	\$296,793	\$6,937,308
Vanguard Emerging Markets Stock Index	\$9,181,952	\$3,000,000	-\$4,714	\$2,995,286	\$690,746	\$12,867,984
Vanguard Short-Term Inflation-Protected Securities	\$21,529,071	\$0	-\$3,772	-\$3,772	\$41,968	\$21,567,266
<b>Total</b>	<b>\$250,118,600</b>	<b>\$28,174,738</b>	<b>-\$21,295,241</b>	<b>\$6,879,497</b>	<b>\$6,341,329</b>	<b>\$263,339,426</b>

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

## Total Fund Aggregate

As of December 31, 2017

## Cash Flow Summary

Fiscal YTD Ending December 31, 2017

	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Aberdeen Frontier Markets Equity	\$2,369,710	\$0	-\$18,230	-\$18,230	\$158,316	\$2,509,797
American Core Realty Fund, LLC	\$6,694,456	\$0	-\$37,742	-\$37,742	\$259,950	\$6,916,664
Artisan Global Value	\$33,428,529	\$0	-\$187,303	-\$187,303	\$3,281,729	\$36,522,955
Cove Street Small Cap Value	\$2,001,098	\$0	-\$8,181	-\$8,181	\$89,294	\$2,082,211
Credit Suisse Risk Parity Commodity Fund	\$8,359,261	\$5,000,000	-\$23,593	\$4,976,407	\$709,387	\$14,045,055
Internal Cash Account	\$37,285,855	\$29,284,257	-\$37,169,015	-\$7,884,758	\$2,456,241	\$31,857,338
Northern Trust Barclays Aggregate	\$31,627,170	\$23,000,000	-\$7,556	\$22,992,444	\$595,946	\$55,215,560
Northern Trust EAFE Index	\$22,327,053	\$5,000,000	-\$6,339	\$4,993,661	\$2,260,238	\$29,580,953
Northern Trust Russell 3000	\$12,853,002	\$0	-\$2,046	-\$2,046	\$1,441,278	\$14,292,234
Pinnacle Natural Resources, L.P.	\$2,649,684	\$0	-\$14,354	-\$14,354	\$101,798	\$2,737,128
PRISA	\$4,296,136	\$0	-\$21,698	-\$21,698	\$108,618	\$4,383,056
Rhumblin DJ Brookfield Infrastructure	\$10,251,247	\$0	-\$5,335	-\$5,335	\$433,591	\$10,679,503
Rhumblin Global LargeMid Natural Resources	\$9,314,439	\$0	-\$2,505	-\$2,505	\$1,832,481	\$11,144,415
Vanguard Developed Markets Index	\$6,291,799	\$0	-\$2,340	-\$2,340	\$647,850	\$6,937,308
Vanguard Emerging Markets Stock Index	\$8,519,341	\$3,000,000	-\$8,140	\$2,991,860	\$1,356,783	\$12,867,984
Vanguard Short-Term Inflation-Protected Securities	\$21,433,617	\$0	-\$7,539	-\$7,539	\$141,188	\$21,567,266
<b>Total</b>	<b>\$219,702,395</b>	<b>\$65,284,257</b>	<b>-\$37,521,914</b>	<b>\$27,762,343</b>	<b>\$15,874,688</b>	<b>\$263,339,426</b>

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

As of December 31, 2017

## Cash Flow Summary

1 Year Ending December 31, 2017

	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Aberdeen Frontier Markets Equity	\$2,082,747	\$0	-\$24,011	-\$24,011	\$451,060	\$2,509,797
American Core Realty Fund, LLC	\$6,504,229	\$0	-\$50,015	-\$50,015	\$462,449	\$6,916,664
Artisan Global Value	\$29,969,728	\$0	-\$245,735	-\$245,735	\$6,798,962	\$36,522,955
Cove Street Small Cap Value	\$1,928,144	\$0	-\$10,847	-\$10,847	\$164,914	\$2,082,211
Credit Suisse Risk Parity Commodity Fund	\$8,228,437	\$5,000,000	-\$29,454	\$4,970,546	\$846,072	\$14,045,055
Internal Cash Account	\$23,150,430	\$41,248,867	-\$37,210,436	\$4,038,431	\$4,668,477	\$31,857,338
Northern Trust Barclays Aggregate	\$30,866,972	\$23,000,000	-\$9,132	\$22,990,868	\$1,357,720	\$55,215,560
Northern Trust EAFE Index	\$19,580,123	\$5,000,000	-\$8,167	\$4,991,833	\$5,008,997	\$29,580,953
Northern Trust Russell 3000	\$11,799,689	\$0	-\$2,682	-\$2,682	\$2,495,227	\$14,292,234
Pinnacle Natural Resources, L.P.	\$2,847,360	\$0	-\$19,339	-\$19,339	-\$90,893	\$2,737,128
PRISA	\$4,095,436	\$0	-\$28,813	-\$28,813	\$316,433	\$4,383,056
Rhumblin DJ Brookfield Infrastructure	\$9,156,496	\$0	-\$7,024	-\$7,024	\$1,530,031	\$10,679,503
Rhumblin Global LargeMid Natural Resources	\$9,377,117	\$0	-\$3,258	-\$3,258	\$1,770,556	\$11,144,415
Vanguard Developed Markets Index	\$5,485,584	\$0	-\$3,061	-\$3,061	\$1,454,785	\$6,937,308
Vanguard Emerging Markets Stock Index	\$7,423,800	\$3,000,000	-\$10,249	\$2,989,751	\$2,454,433	\$12,867,984
Vanguard Short-Term Inflation-Protected Securities	\$21,390,229	\$0	-\$10,045	-\$10,045	\$187,082	\$21,567,266
<b>Total</b>	<b>\$193,886,522</b>	<b>\$77,248,867</b>	<b>-\$37,672,267</b>	<b>\$39,576,600</b>	<b>\$29,876,305</b>	<b>\$263,339,426</b>

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

As of December 31, 2017

**Cash Flow Summary  
Since Inception**

	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Aberdeen Frontier Markets Equity	--	\$0	-\$47,544	-\$47,544	\$2,557,340	\$2,509,797
American Core Realty Fund, LLC	--	\$1,852,000	-\$100,430	\$1,751,570	\$5,165,094	\$6,916,664
Artisan Global Value	--	\$9,000,000	-\$366,647	\$8,633,353	\$27,889,602	\$36,522,955
Cove Street Small Cap Value	--	\$0	-\$21,453	-\$21,453	\$2,103,664	\$2,082,211
Credit Suisse Risk Parity Commodity Fund	--	\$8,000,000	-\$52,598	\$7,947,402	\$6,097,654	\$14,045,055
Internal Cash Account	--	\$85,672,162	-\$65,533,510	\$20,138,651	\$11,718,687	\$31,857,338
Northern Trust Barclays Aggregate	--	\$36,000,000	-\$15,586	\$35,984,414	\$19,231,145	\$55,215,560
Northern Trust EAFE Index	--	\$5,000,000	-\$15,368	\$4,984,632	\$24,596,320	\$29,580,953
Northern Trust Russell 3000	--	\$0	-\$5,168	-\$5,168	\$14,297,401	\$14,292,234
Pinnacle Natural Resources, L.P.	--	\$0	-\$41,231	-\$41,231	\$2,778,359	\$2,737,128
PRISA	--	\$2,502,553	-\$49,383	\$2,453,170	\$1,929,886	\$4,383,056
Rhumblin DJ Brookfield Infrastructure	--	\$1,500,000	-\$14,354	\$1,485,646	\$9,193,857	\$10,679,503
Rhumblin Global LargeMid Natural Resources	--	\$1,500,000	-\$6,494	\$1,493,506	\$9,650,909	\$11,144,415
Vanguard Developed Markets Index	--	\$0	-\$5,891	-\$5,891	\$6,943,199	\$6,937,308
Vanguard Emerging Markets Stock Index	--	\$3,000,000	-\$17,634	\$2,982,366	\$9,885,618	\$12,867,984
Vanguard Short-Term Inflation-Protected Securities	--	\$8,000,000	-\$20,304	\$7,979,696	\$13,587,570	\$21,567,266
Vontobel Emerging Markets Equity	--	\$0	-\$7,456,202	-\$7,456,202	\$7,456,202	--
<b>Total</b>	<b>\$0</b>	<b>\$162,026,715</b>	<b>-\$73,769,796</b>	<b>\$88,256,919</b>	<b>\$175,082,508</b>	<b>\$263,339,426</b>

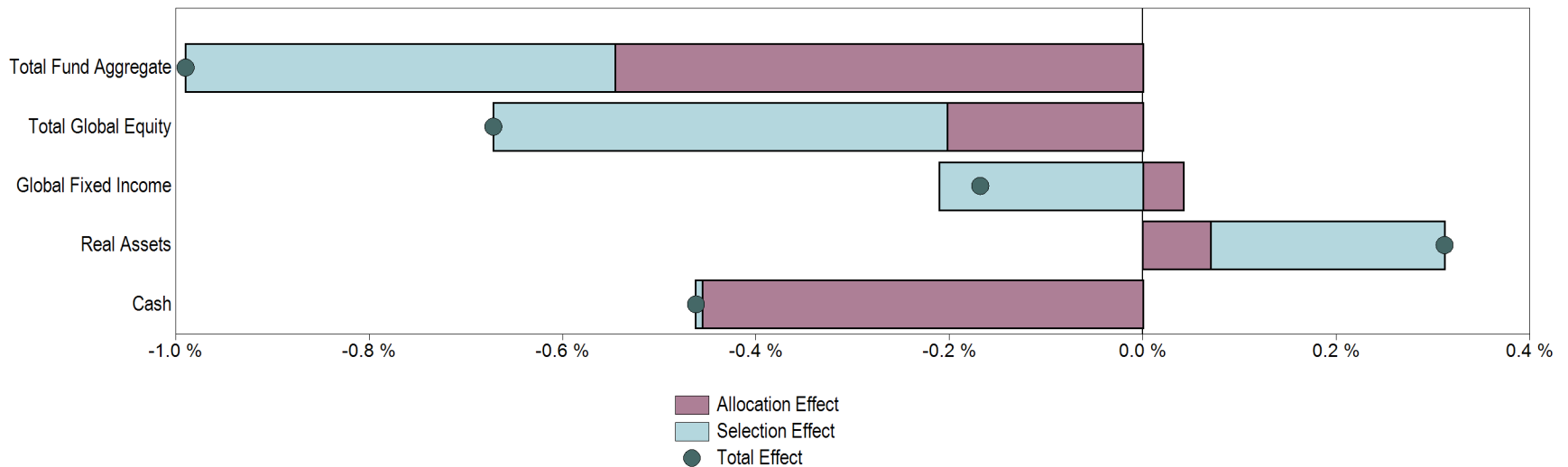
<sup>1</sup> Fiscal Year begins July 1.



**Attribution Summary**  
**QTD Ending December 31, 2017**

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Total Global Equity	4.5%	5.7%	-1.2%	-0.5%	-0.2%	-0.7%
Global Fixed Income	0.3%	1.1%	-0.8%	-0.2%	0.0%	-0.2%
Real Assets	3.4%	1.9%	1.4%	0.2%	0.1%	0.3%
Cash	0.3%	0.3%	0.0%	0.0%	-0.5%	-0.5%
<b>Total</b>	<b>2.4%</b>	<b>3.4%</b>	<b>-1.0%</b>	<b>-0.4%</b>	<b>-0.5%</b>	<b>-1.0%</b>

**Attribution Effects**  
**QTD Ending December 31, 2017**

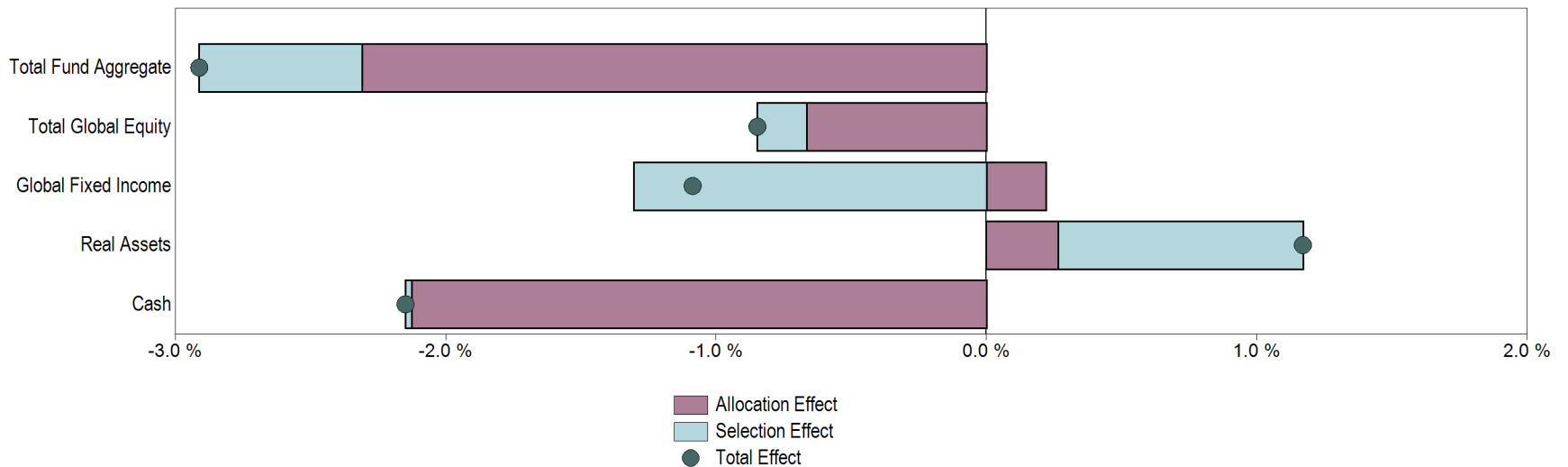




**Attribution Summary**  
1 Year Ending December 31, 2017

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Total Global Equity	23.4%	23.9%	-0.6%	-0.2%	-0.7%	-0.8%
Global Fixed Income	2.6%	7.4%	-4.8%	-1.3%	0.2%	-1.1%
Real Assets	11.5%	6.9%	4.6%	0.9%	0.3%	1.2%
Cash	0.8%	0.9%	-0.1%	0.0%	-2.1%	-2.1%
<b>Total</b>	<b>11.9%</b>	<b>14.8%</b>	<b>-2.9%</b>	<b>-0.6%</b>	<b>-2.3%</b>	<b>-2.9%</b>

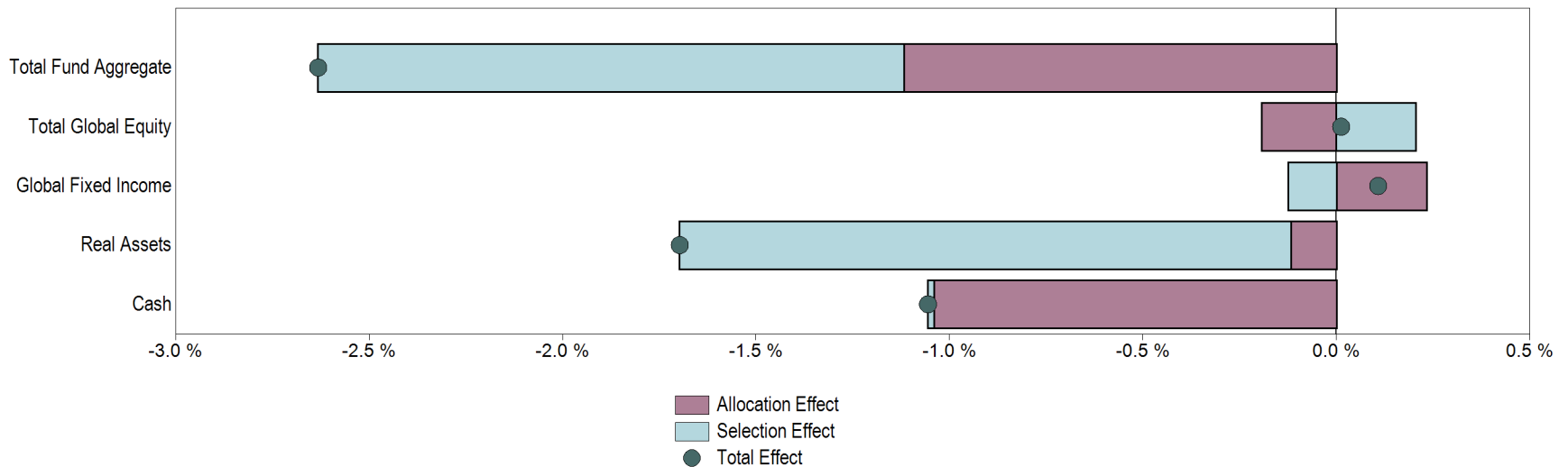
**Attribution Effects**  
1 Year Ending December 31, 2017



**Attribution Summary**  
3 Years Ending December 31, 2017

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Total Global Equity	9.8%	9.5%	0.3%	0.2%	-0.2%	0.0%
Global Fixed Income	1.8%	2.0%	-0.2%	-0.1%	0.2%	0.1%
Real Assets	0.2%	9.8%	-9.6%	-1.6%	-0.1%	-1.7%
Cash	0.3%	0.4%	-0.1%	0.0%	-1.0%	-1.1%
<b>Total</b>	<b>4.8%</b>	<b>7.4%</b>	<b>-2.6%</b>	<b>-1.5%</b>	<b>-1.1%</b>	<b>-2.6%</b>

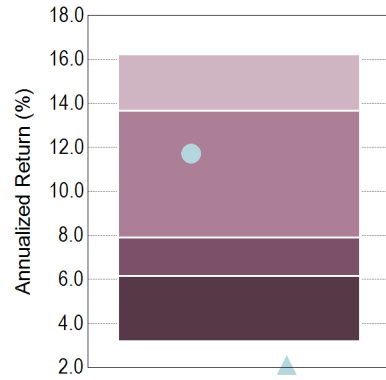
**Attribution Effects**  
3 Years Ending December 31, 2017



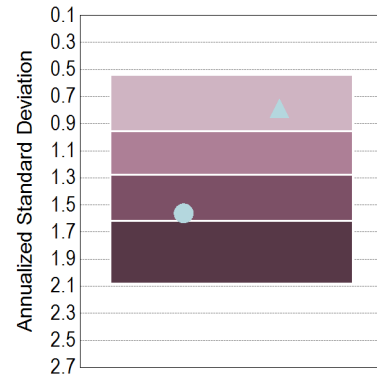
Total Fund Risk Statistics vs. Peer Universe (Trailing 1 Year)

As of December 31, 2017

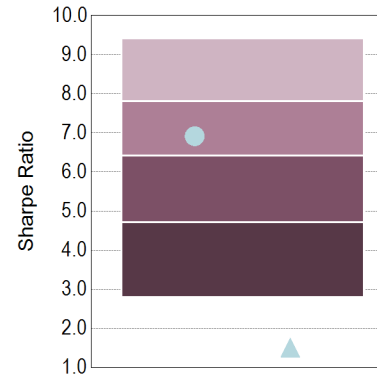
**Annualized Return (%)**  
vs. InvestorForce Health & Welfare  
\$50mm - \$250mm Gross



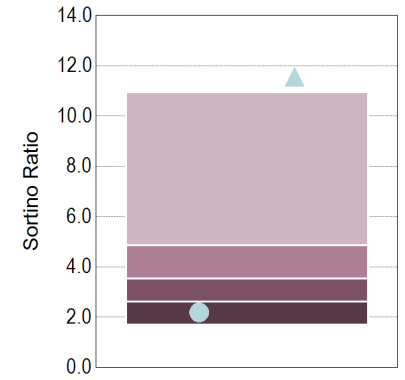
**Annualized Standard Deviation**  
vs. InvestorForce Health & Welfare  
\$50mm - \$250mm Gross



**Sharpe Ratio**  
vs. InvestorForce Health & Welfare  
\$50mm - \$250mm Gross



**Sortino Ratio**  
vs. InvestorForce Health & Welfare  
\$50mm - \$250mm Gross



● Total Fund Aggregate	
Value	11.7
Rank	29
▲ Consumer Price Index	
Value	2.1
Rank	99
Universe	
5th %tile	16.2
25th %tile	13.7
Median	7.9
75th %tile	6.2
95th %tile	3.2

● Total Fund Aggregate	
Value	1.6
Rank	69
▲ Consumer Price Index	
Value	0.8
Rank	15
Universe	
5th %tile	0.5
25th %tile	1.0
Median	1.3
75th %tile	1.6
95th %tile	2.1

● Total Fund Aggregate	
Value	6.9
Rank	44
▲ Consumer Price Index	
Value	1.5
Rank	99
Universe	
5th %tile	9.4
25th %tile	7.8
Median	6.4
75th %tile	4.7
95th %tile	2.8

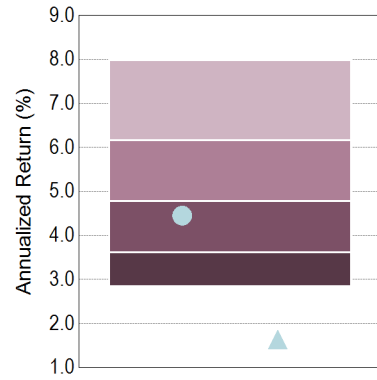
● Total Fund Aggregate	
Value	2.2
Rank	90
▲ Consumer Price Index	
Value	11.6
Rank	5
Universe	
5th %tile	11.0
25th %tile	4.9
Median	3.6
75th %tile	2.6
95th %tile	1.7



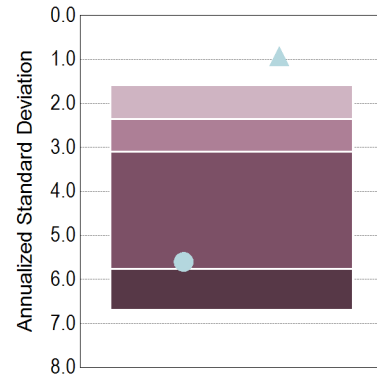
Total Fund Risk Statistics vs. Peer Universe (Trailing 3 Years)

As of December 31, 2017

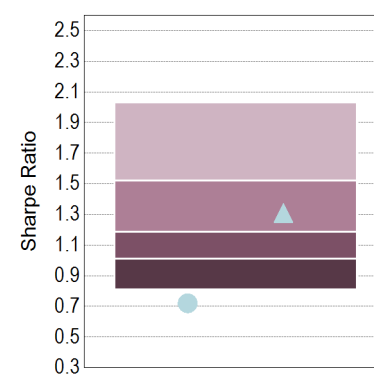
**Annualized Return (%) vs. InvestorForce Health & Welfare \$50mm - \$250mm Gross**



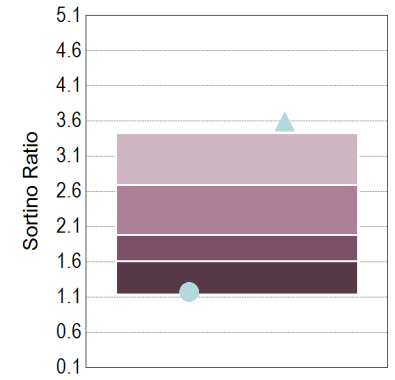
**Annualized Standard Deviation vs. InvestorForce Health & Welfare \$50mm - \$250mm Gross**



**Sharpe Ratio vs. InvestorForce Health & Welfare \$50mm - \$250mm Gross**



**Sortino Ratio vs. InvestorForce Health & Welfare \$50mm - \$250mm Gross**



● Total Fund Aggregate	
Value	4.5
Rank	60
▲ Consumer Price Index	
Value	1.6
Rank	99
Universe	
5th %tile	8.0
25th %tile	6.2
Median	4.8
75th %tile	3.6
95th %tile	2.9

● Total Fund Aggregate	
Value	5.6
Rank	73
▲ Consumer Price Index	
Value	0.9
Rank	1
Universe	
5th %tile	1.6
25th %tile	2.3
Median	3.1
75th %tile	5.7
95th %tile	6.7

● Total Fund Aggregate	
Value	0.7
Rank	98
▲ Consumer Price Index	
Value	1.3
Rank	35
Universe	
5th %tile	2.0
25th %tile	1.5
Median	1.2
75th %tile	1.0
95th %tile	0.8

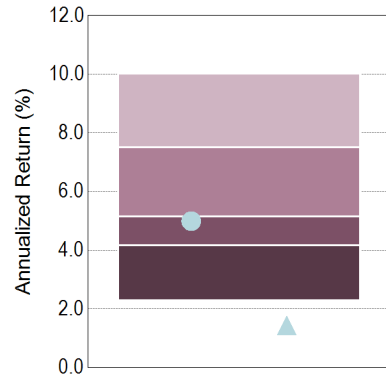
● Total Fund Aggregate	
Value	1.2
Rank	94
▲ Consumer Price Index	
Value	3.6
Rank	4
Universe	
5th %tile	3.4
25th %tile	2.7
Median	2.0
75th %tile	1.6
95th %tile	1.1



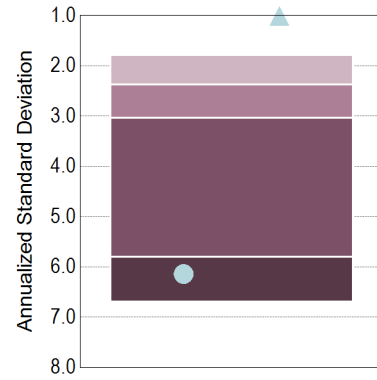
Total Fund Risk Statistics vs. Peer Universe (Trailing 5 Years)

As of December 31, 2017

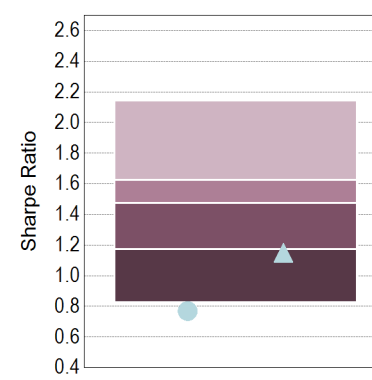
**Annualized Return (%) vs. InvestorForce Health & Welfare \$50mm - \$250mm Gross**



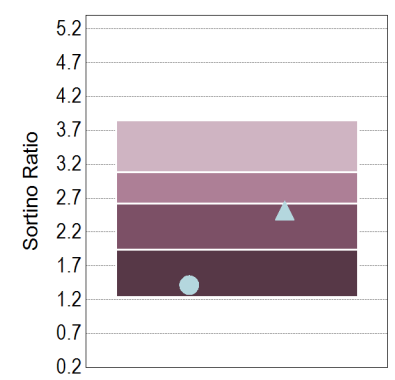
**Annualized Standard Deviation vs. InvestorForce Health & Welfare \$50mm - \$250mm Gross**



**Sharpe Ratio vs. InvestorForce Health & Welfare \$50mm - \$250mm Gross**



**Sortino Ratio vs. InvestorForce Health & Welfare \$50mm - \$250mm Gross**



● Total Fund Aggregate	
Value	5.0
Rank	53
▲ Consumer Price Index	
Value	1.4
Rank	99
Universe	
5th %tile	10.0
25th %tile	7.5
Median	5.2
75th %tile	4.2
95th %tile	2.3

● Total Fund Aggregate	
Value	6.1
Rank	80
▲ Consumer Price Index	
Value	1.0
Rank	1
Universe	
5th %tile	1.8
25th %tile	2.4
Median	3.0
75th %tile	5.8
95th %tile	6.7

● Total Fund Aggregate	
Value	0.8
Rank	97
▲ Consumer Price Index	
Value	1.1
Rank	77
Universe	
5th %tile	2.1
25th %tile	1.6
Median	1.5
75th %tile	1.2
95th %tile	0.8

● Total Fund Aggregate	
Value	1.4
Rank	94
▲ Consumer Price Index	
Value	2.5
Rank	52
Universe	
5th %tile	3.9
25th %tile	3.1
Median	2.6
75th %tile	1.9
95th %tile	1.2



Benchmark History

As of December 31, 2017

Total Fund Aggregate

7/1/2011

Present

46.7% MSCI ACWI IMI (Net)/30.3% Barclays Global Aggregate/7% NCREIF ODCE Equal Weighted Index/6% Bloomberg Commodity Index/5% DJ Brookfield Global Infrastructure/5% S&P Global Natural Resources Index

## **Glossary and Notes**

**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.

**Jensen's Alpha:** A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk.  $\text{Portfolio Return} - [\text{Risk Free Rate} + \text{Beta} * (\text{market return} - \text{Risk Free Rate})]$ .

**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.