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## City of San Jose Police and Fire Department Retirement Plan

### Investment Performance Analysis For the period ending September 30, 2014

November 25, 2014

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# Market Environment Update and Outlook

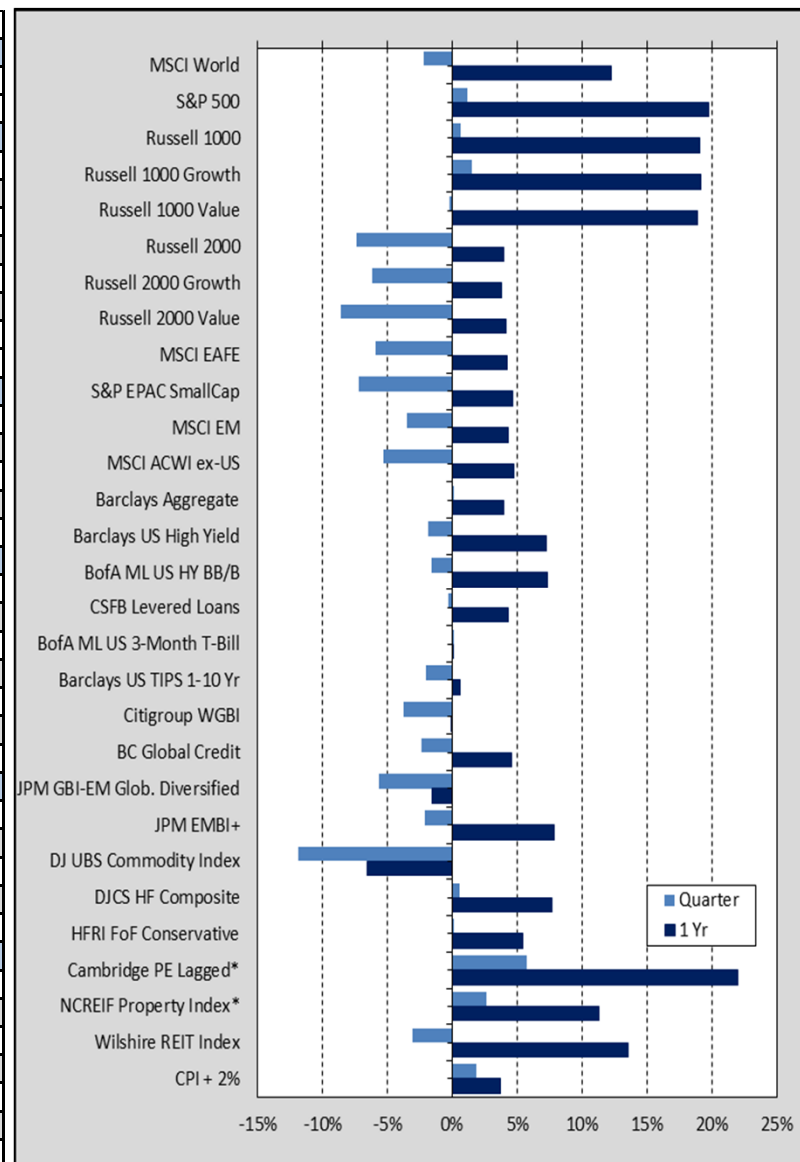


- **Third quarter GDP growth printed at +3.5%.**
  - Retail sales (ended September) rose to 3.1% on a year-over-year growth rate basis.
  - The inventory-to-sales ratio has remained mostly flat since early 2010 and closed at 1.29 in August.
  - Corporate profits as a percent of GDP ended a three consecutive quarter decline slightly increasing to 12.2% and remain elevated relative to historical levels.
  - The U.S. trade deficit decreased through August.
- **The unemployment rate fell to 5.9% in September; U-6, a broader measure of unemployment, fell to 11.8% the third quarter.**
- **The Case-Schiller Home Price Index (as of 9/30) rose to 167.32 from 150.79 (as of 6/30) and is at levels higher than that of pre-financial crisis levels of 150.92.**
- **Rolling 12-month CPI decreased to 1.7% at the end of September; Capacity Utilization rose slightly to 79.3% in September.**
- **Fed Funds rate remains at 0.25%, while the 10-year Treasury Yield finished Q3 at 2.49%.**
- **The Fed balance sheet continues to increase in 2014, while European Central Bank balance sheet continues to decrease.**
  - ECB announced it will be embarking on an asset purchasing stimulus plan.
- **S&P valuations increased in September remaining above the 10-year and long-term averages, which are nearly equal at 16.4x, using current price/earnings ratios.**
  - Cyclically adjusted Shiller PE ratio is above the long-term average of 17.6x and above the 10-year average of 22.9x.
- **The U.S. Dollar strengthened 6% against a basket of major currencies; the best quarterly gain since the financial crisis in 2008.**



## Market Environment – Q3 2014 Overview

		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>World Equity Benchmarks</b>						
MSCI World	World	-2.2%	12.2%	17.9%	10.9%	7.1%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Equity Benchmarks</b>						
S&P 500	Large Core	1.1%	19.7%	23.0%	15.7%	8.1%
Russell 1000	Large Core	0.7%	19.0%	23.2%	15.9%	8.5%
Russell 1000 Growth	Large Growth	1.5%	19.2%	22.5%	16.5%	8.9%
Russell 1000 Value	Large Value	-0.2%	18.9%	23.9%	15.3%	7.8%
Russell 2000	Small Core	-7.4%	3.9%	21.3%	14.3%	8.2%
Russell 2000 Growth	Small Growth	-6.1%	3.8%	21.9%	15.5%	9.0%
Russell 2000 Value	Small Value	-8.6%	4.1%	20.6%	13.0%	7.3%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>International Equity Benchmarks</b>						
MSCI EAFE	International Developed	-5.9%	4.3%	13.7%	6.6%	6.3%
S&P EPAC SmallCap	Small Cap Int'l	-7.2%	4.6%	15.3%	9.1%	8.8%
MSCI EM	Emerging Equity	-3.5%	4.3%	7.2%	4.4%	10.7%
MSCI ACWI ex-US	World ex-US	-5.3%	4.8%	11.8%	6.0%	7.1%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Fixed Income Benchmarks</b>						
Barclays Aggregate	Core Bonds	0.2%	4.0%	2.4%	4.1%	4.6%
Barclays US High Yield	High Yield	-1.9%	7.2%	11.1%	10.6%	8.3%
BofA ML US HY BB/B	High Yield	-1.6%	7.3%	10.3%	9.9%	7.6%
CSFB Levered Loans	Bank Loans	-0.3%	4.3%	6.9%	6.7%	4.9%
BofA ML US 3-Month T-Bill	Cash	0.0%	0.1%	0.1%	0.1%	1.6%
Barclays US TIPS 1-10 Yr	Inflation	-2.0%	0.6%	0.9%	3.4%	4.0%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Global Fixed Income Benchmarks</b>						
Citigroup WGBI	World Gov. Bonds	-3.8%	-0.1%	-0.5%	1.6%	4.1%
BC Global Credit	Global Bonds	-2.4%	4.6%	5.7%	5.6%	5.5%
JPM GBI-EM Glob. Diversified	Em. Mkt. Bonds (Local)	-5.7%	-1.5%	2.2%	4.4%	8.8%
JPM EMBI+	Em. Mkt. Bonds	-2.1%	7.8%	6.9%	7.5%	8.3%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Alternative Benchmarks</b>						
DJ UBS Commodity Index	Commodity	-11.8%	-6.6%	-5.3%	-1.4%	-1.0%
DJCS HF Composite	Hedge Fund	0.6%	7.7%	7.2%	6.4%	6.3%
HFRI FoF Conservative	Fund of Funds	0.1%	5.4%	4.9%	3.4%	2.8%
Cambridge PE Lagged*	Private Equity	5.7%	22.0%	14.7%	17.6%	15.2%
NCREIF Property Index*	Real Estate	2.6%	11.3%	11.1%	11.0%	8.5%
Wilshire REIT Index	REIT	-3.1%	13.5%	16.5%	16.0%	8.3%
CPI + 2%	Inflation/Real Assets	1.9%	3.7%	3.6%	4.0%	4.5%



\* As of 6/30/2014

### **Positives**

- **Fed asset purchases coming to an end; generally accepted by marketplace**
  - Divergence in monetary policies signaling different investment environments globally
- **Q3 GDP growth estimated at 3.5%**
  - U.S. employment continues to gain
  - August consumer confidence is highest since 2007 signaling bullish consumption expectations
- **ECB signals further monetary easing through asset purchases in addition to negative short dated interest rates**
- **Developed world inflation is low**

### **Negatives**

- **Geopolitical instability drives volatility**
  - Instability in Mid-East, Ukraine, Scotland
- **Europe continues to see ongoing economic growth challenges**
- **U.S. Dollar strength translated to negative dollar denominated returns in international markets**
- **Valuations remain above 10 year and long term averages**
  - Developed Equity P/Es above median
  - Credit spreads near historically low levels
- **Volatility re-emerges; the VIX rose substantially toward the end of the quarter**

## Market Environment

### Global Equity

- **U.S. equities advanced in the third quarter amid increasing volatility.**
- **Large cap stocks outperformed small cap stocks during the quarter, with the S&P 500 Index returning 1.1% versus -7.4% for the Russell 2000 Index.**
- **International equities underperformed U.S. markets during the quarter, returning -5.3%, as measured by the MSCI ACWI ex-U.S. Index.**
  - Developed markets returned -5.3% as measured by the MSCI EAFE Index. Europe was the worst performing developed market region returning -7.0% and subdued economic data in Japan resulted in a weaker Yen, bolstering imports and limited losses to -2.3%.
  - Emerging markets returned -3.5% as measured by the MSCI Emerging Markets Index in U.S. dollar terms. In local currency terms emerging markets were up 0.6%. Emerging countries in Europe were the largest detractors; with Greece (-20%), Hungary (-12.8%), Russia (-15.4%) suffering significant drawdowns.

### Private Equity

- **New private equity commitments totaled \$85.6 billion in Q3 2014, bringing total new commitments to \$264.9 billion in the nine months of the year. 2014 is on track to be the fifth straight year of increasing commitments.**
  - While the 2014 global PE fundraising pace increases, U.S. fundraising remains at 2013 pace with high U.S. equity and PE valuations causing investors to look to markets outside the U.S.
- **Buyout and growth equity fund deal volume in both the U.S. and Europe has gradually declined throughout 2014.**
  - U.S. buyout and growth equity deals totaled \$110 billion and European buyout and growth deals totaled \$14 billion in the third quarter.
- **Venture capital commitments totaled \$37 billion ended September, outpacing total commitments for all of 2013.**
  - At 14% of total private equity raised, commitments are just below the 10-year historic relative average.
- **Mezzanine funds continue to face strong headwinds from a robust high yield market and an expanding supply of private debt.**
  - Mezzanine funds raised \$12.9 billion or 5% of total private equity funds raised.
- **Asian private equity commitments accelerated in 2014 to \$31.2 billion.**
  - Represents 12% of the 2014 total across all geographies. Nearly 75% of all Asian PE funds raised in 2014 have been China-based.

## Market Environment

### Fixed Income

- **Risk aversion permeated fixed income markets in the third quarter amid growing concerns around economic growth and geopolitical events.**
- **The 10-year Treasury yield fell 4 basis points during the quarter, finishing at 2.49%.**
- **The Treasury yield curve flattened with the spread between two-and 10 year rates falling 16 basis points to 1.92%.**
- **Treasury Inflation-Protected Securities, or TIPS, underperformed nominal Treasuries due to lower inflation (expectations and actual), with the Barclays US TIPS Index posting a loss of 2.0% during the quarter.**
- **After a long period of credit spreads narrowing, investment grade credit spreads widened 12 basis points to 112 basis points.**
  - The U.S. Credit Index was ultimately flat at 0.0% due to a high volume of new issuances. The Long Duration Credit Index returned 0.2% in the third quarter.
- **High yield bonds returned -1.9% as spreads increased to 463 basis points, nearly 100 basis points wider than the lows seen in June 2014.**
  - Unlike previous periods where low quality debt out-performed, higher quality BB-rated bonds out-performed in Q3.
- **Emerging markets debt slowed in the third quarter after a strong first half of the year.**
  - Concerns over geopolitical events, economic growth and a Fed rate increase caused local currency (JP Morgan GBI-EM Global Diversified – Unhedged) to fare worse than external currency (JP Morgan EMBI+) emerging markets debt resulting in losses of 5.7% and 2.1% respectively.

### Commodities

- **Commodities sold off in the third quarter with the Bloomberg Commodity Index losing 11.8%.**
  - Corn and Wheat were the biggest losers, returning -25.8% and -22.0% respectively weighing on the agriculture sector as a whole resulting in losses of 18%.
- **Precious metals and energy sectors declined nearly 12% during the quarter after a negative supply outlook for crude oil from OPEC.**

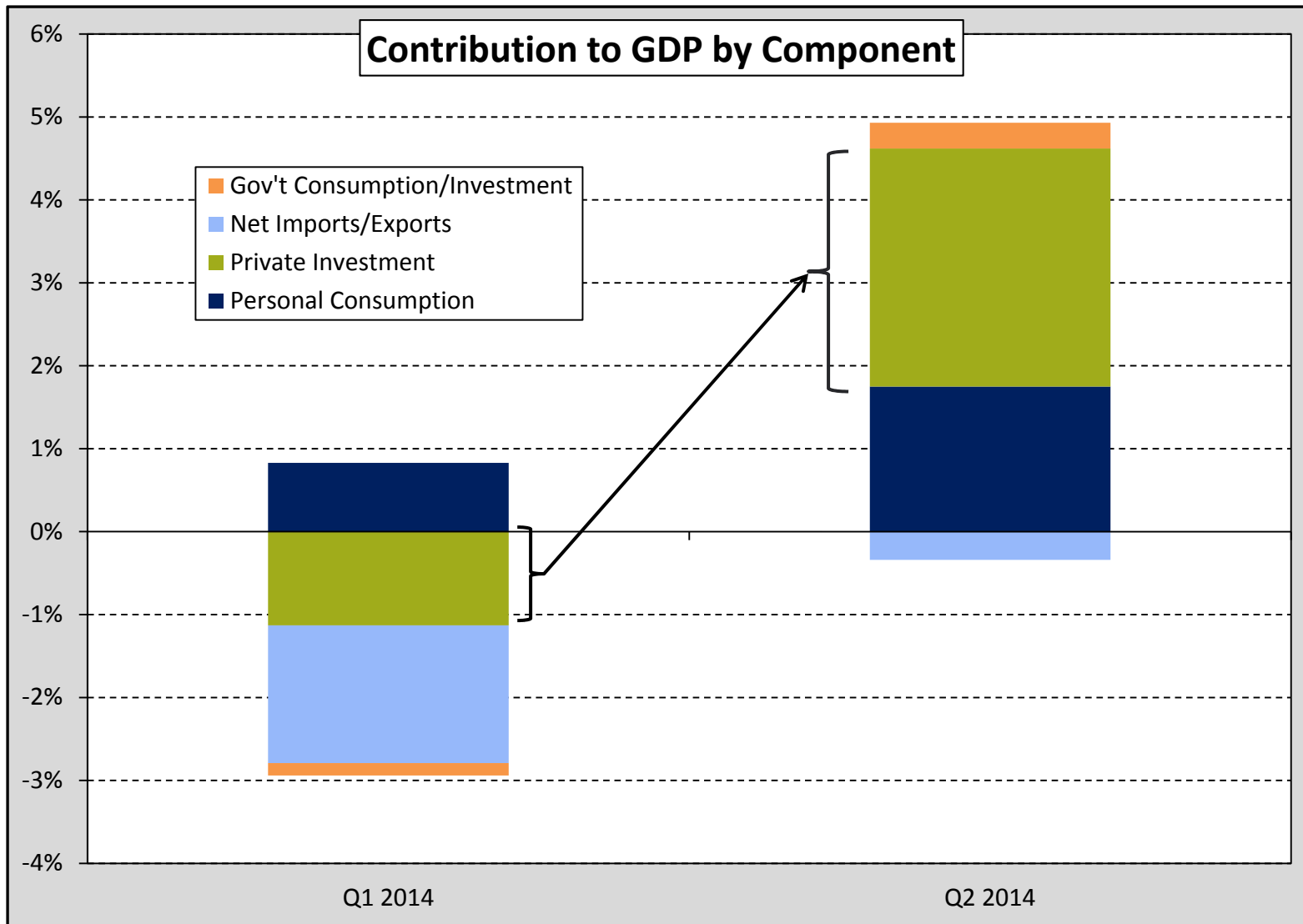
### Real Estate

- **NEPC continues to be neutral on core real estate in the U.S. and remains positive on non-core real estate, that is, value-add and opportunistic strategies.**
- **Within U.S. core real estate, strong fundamentals continue to be the story along with attractive income spreads relative to interest rates.**
  - The concerns for U.S. core real estate (and U.S. real estate, broadly) continues to be plentiful capital that is driving up pricing; and the market's expectation for higher future interest rates and their impact on capitalization rates and capital values.
- **U.S. REITs traded down relative to net asset values and traded to 4.5% below NAV (long-term average is 2.4% above NAV).**
  - 14.5% compounded return through Q3 versus 1.9% annual return in 2013 and 2.2% 20 year average annual return in U.S. REIT Index
  - 15.1x FFO multiples down from 16x or above (recently) remains above the average of 12.5x since 2000.
- **Overall, the non-core real estate investment environment in the U.S. is normalizing; however, select areas remain attractive.**
- **Europe is viewed as the best place for a marginal dollar of non-core real estate investment.**
  - Europe is emerging from multi-year recession, but recovery is slow.
  - Banks in EU are still overleveraged and have significant real estate exposure (banks in Europe hold 90%+ of real estate debt or €2,300B; in the U.S. banks hold 49% of real estate debt).

## Market Environment

### Real Assets/Inflation-Linked Assets

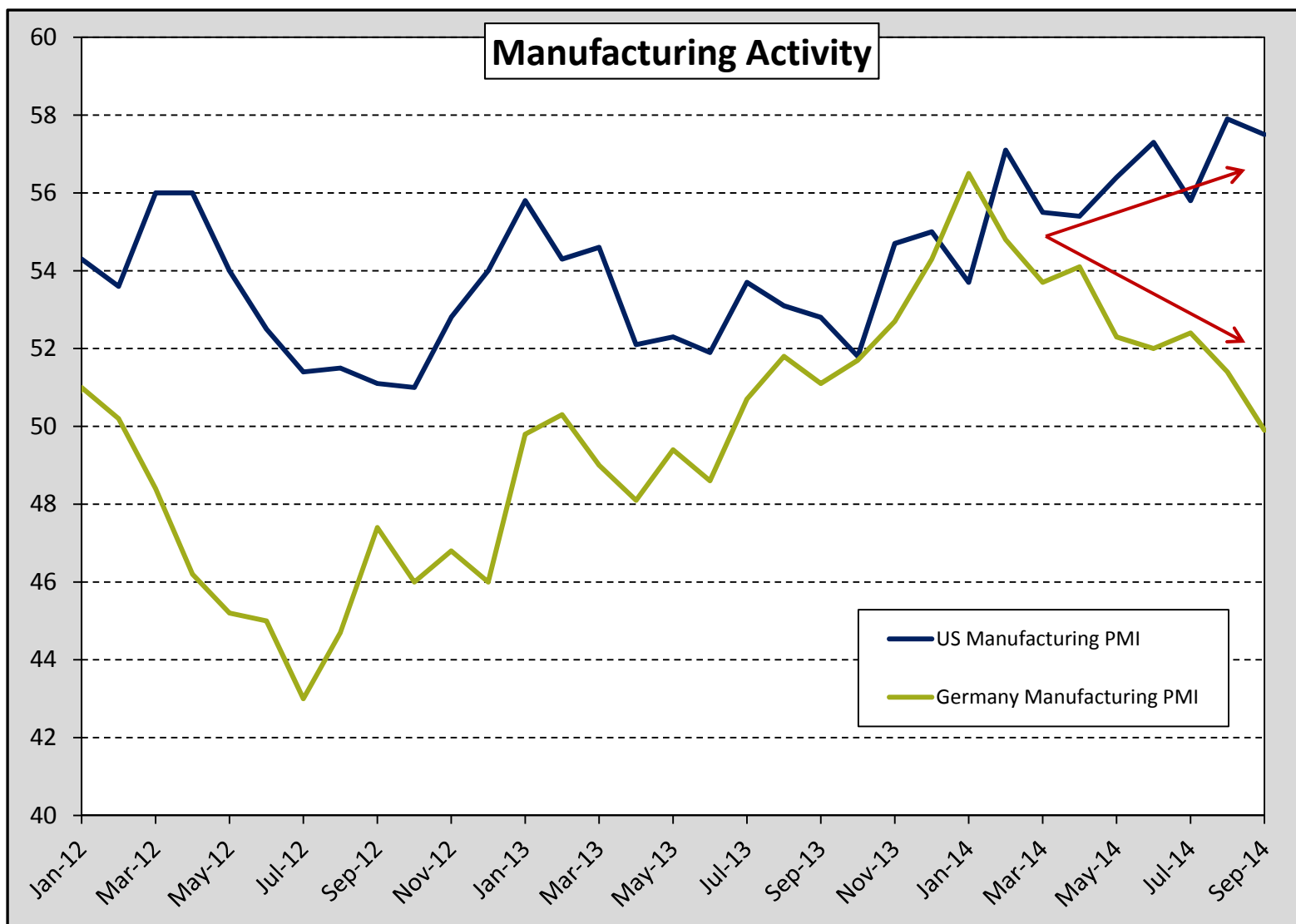
- **NEPC believes that energy, specifically in North America, represents an attractive opportunity in the up-stream and mid-stream parts of the energy value chain.**
- **OPEC and Saudi Arabia have indicated a willingness to allow lower oil prices to persist in efforts to cement market share and reduce marginal supply.**
- **NEPC continues to believe in the long-term demand drivers in agriculture.**
- **Timber is an area of portfolios where we would recommend underweight positions as total return targets are low with a relatively small market opportunity and managers seeking deals outside the U.S.**



Source: US BEA as of 9/26

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## Diverging Economic Conditions in the US and Europe

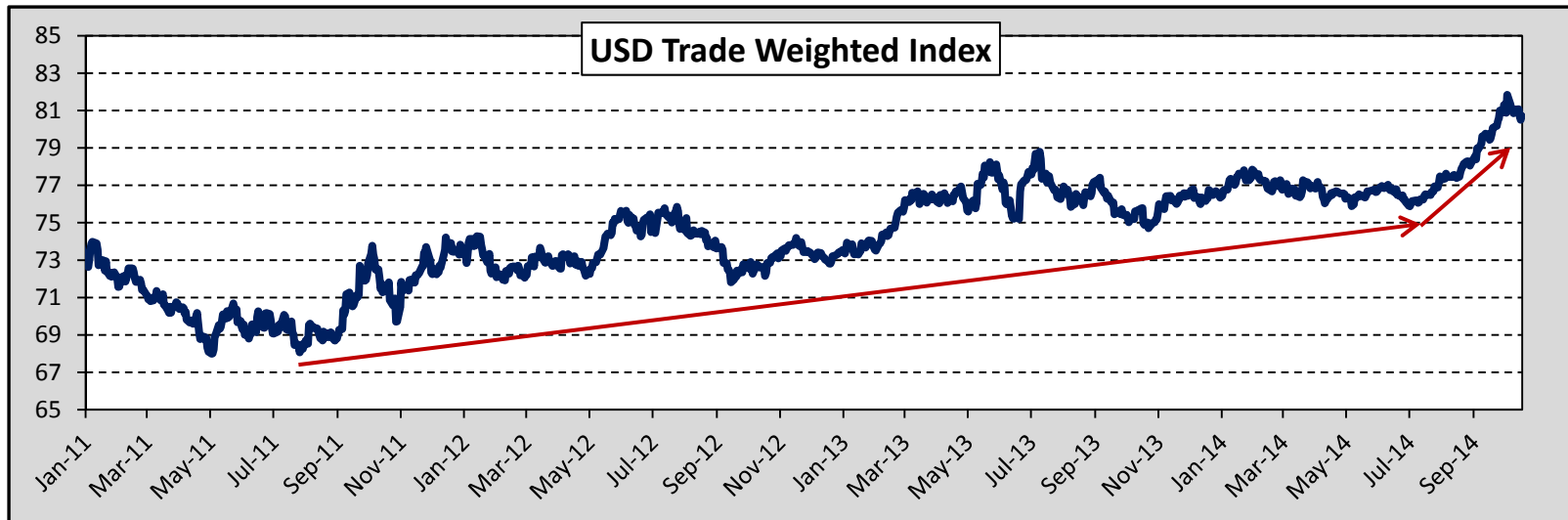


Source: Bloomberg as of 9/30

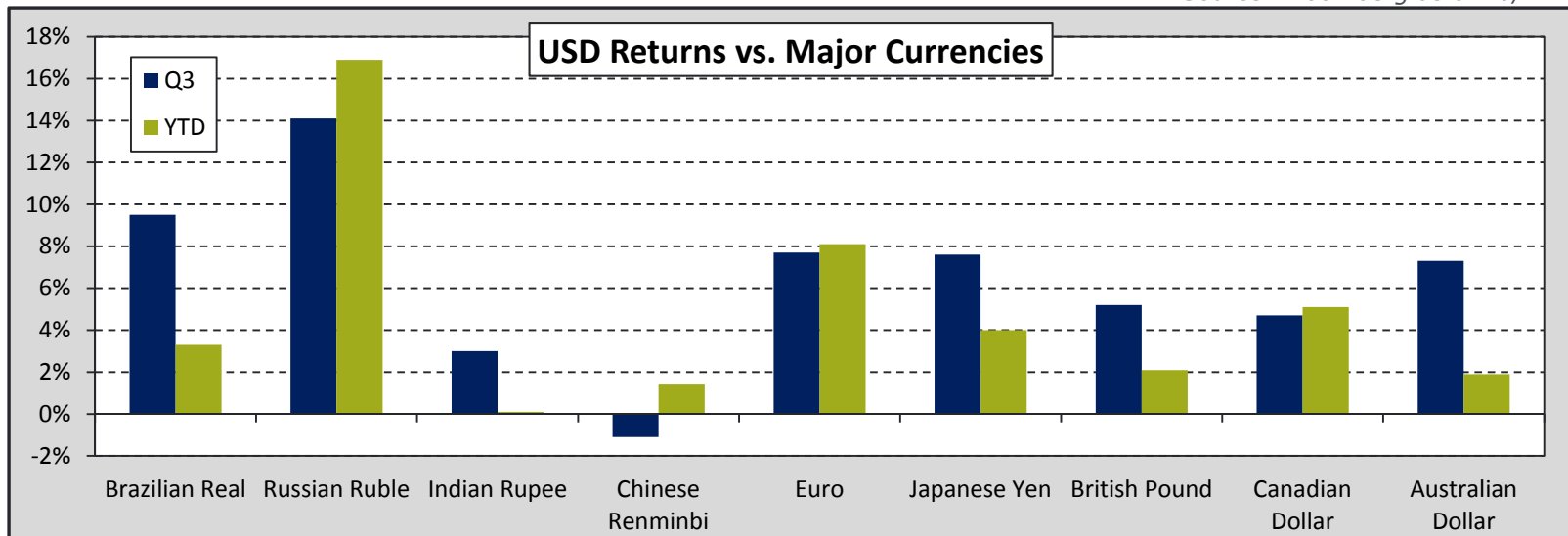


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## The US Dollar Strengthened Versus Most Major Currencies

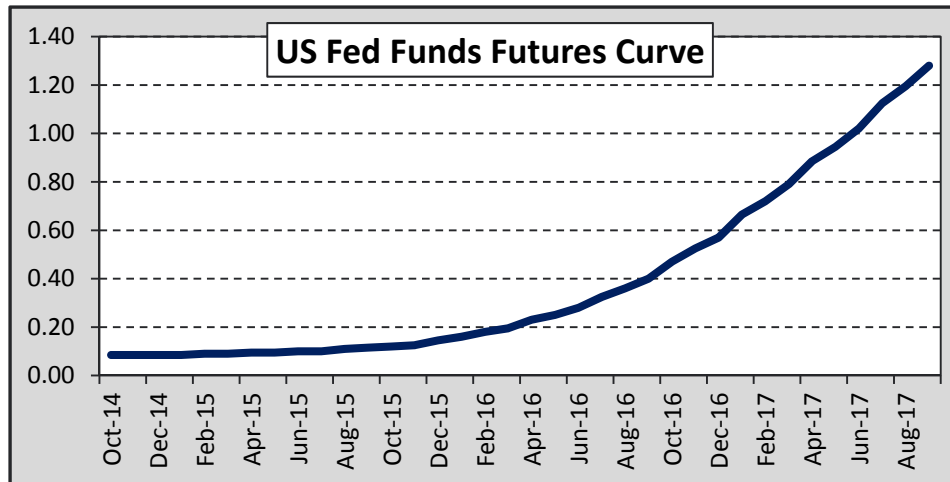


Source: Bloomberg as of 10/17



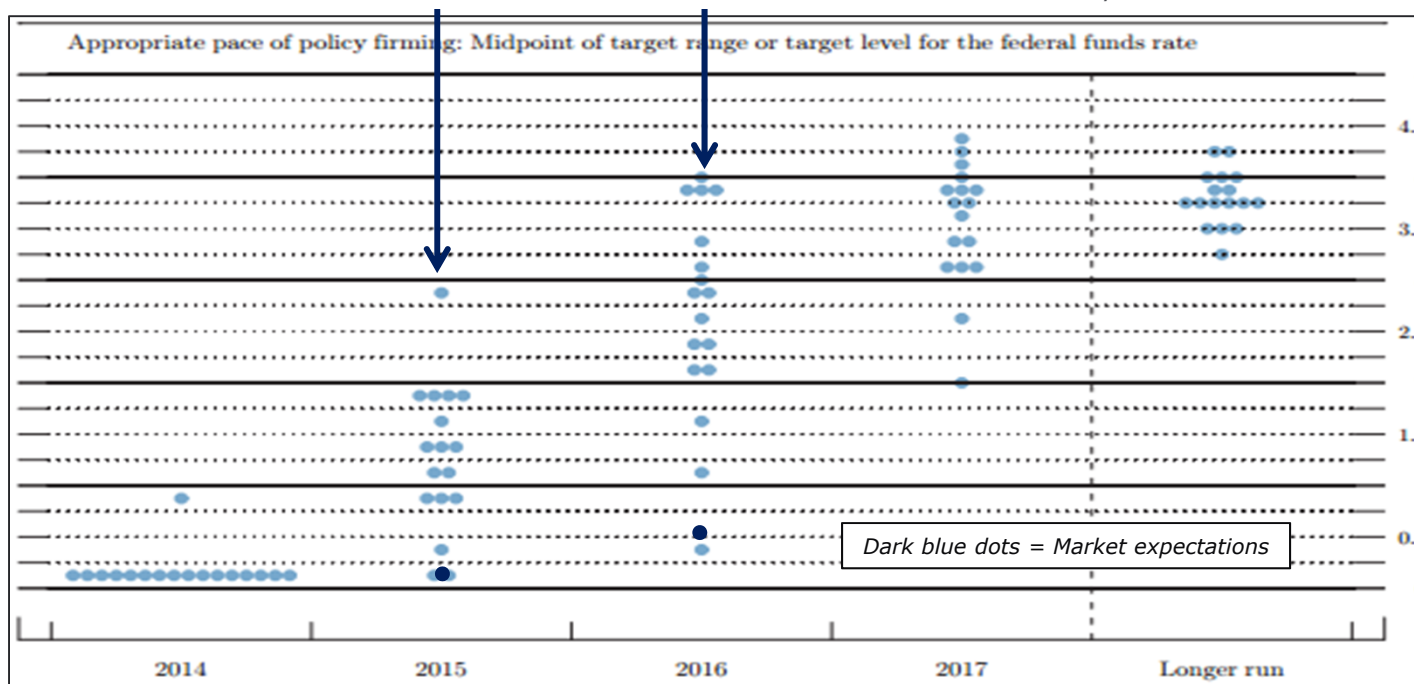
Source: Bloomberg as of 9/30

## Market Expectations of Fed Funds Rate at Lower Bound of Fed Opinions

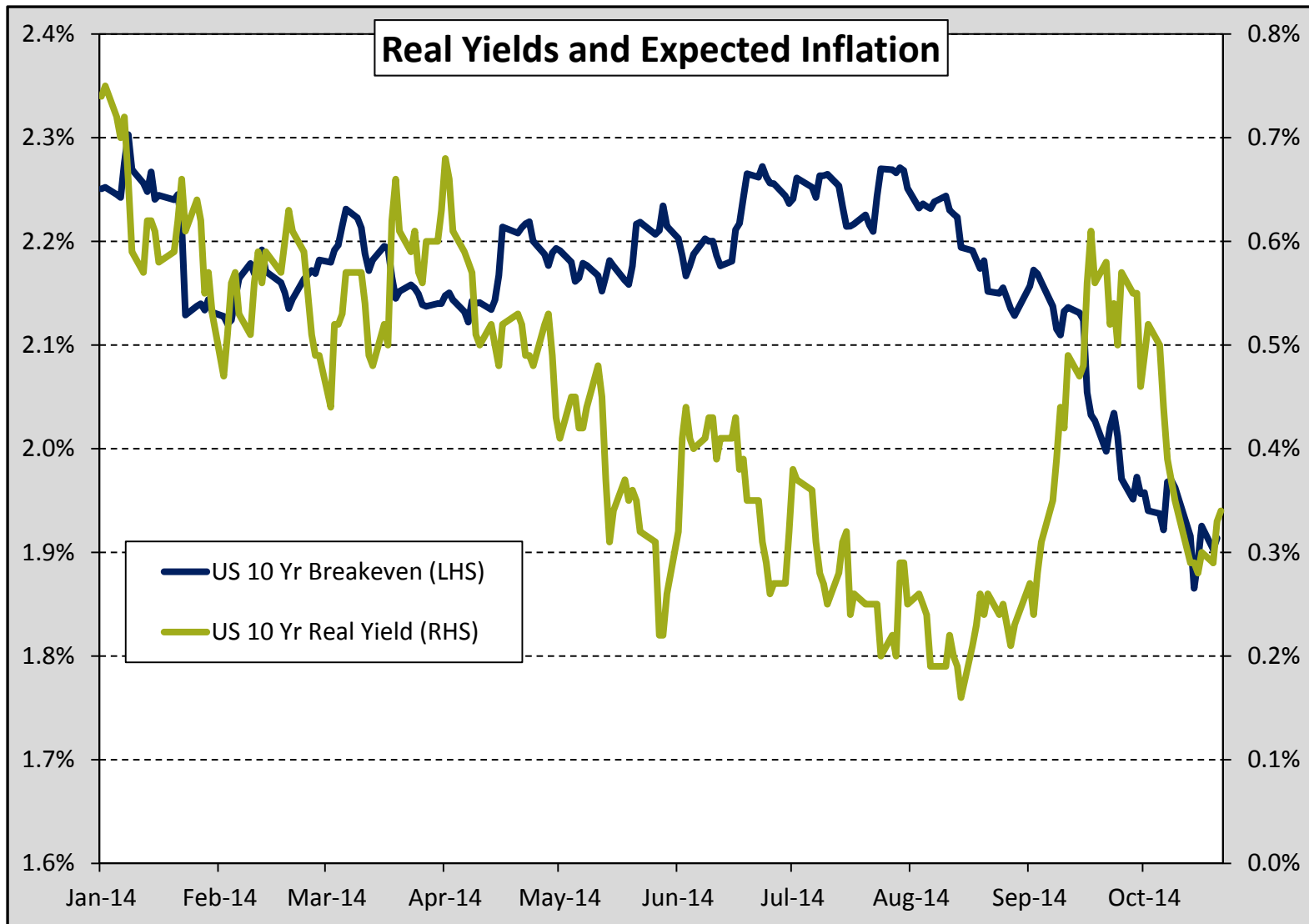


Below: Each shaded circle represents the value (rounded to the nearest 1/8 percentage point) of an individual participant's judgment of the appropriate level of target federal funds rate at the end of the specified year or over the long run

Source Below: Federal Reserve as of 9/18  
Source Left: Bloomberg as of 10/1



## Falling Inflation Expectations Coincided With Back-and-Forth Movements in Real Yields



Source: Bloomberg as of 10/22

- **Currency volatility is likely to continue**
  - Effect of divergent central bank policies is ongoing and subject to change themselves
  - Good opportunity to evaluate currency risk and consider a partially hedged approach
- **Recent developed equity sell-off is quite normal relative to history**
  - US has experienced moderate growth rebound and cheaper energy and stronger dollar can provide buffer to the economy
  - US valuations are above average, but not unreasonably so, while profit margins appear somewhat stretched
  - European equities have less positive macroeconomic outlook but ECB actions could provide short-term support
- **Emerging market dispersion to remain an ongoing theme**
  - Geopolitical risks continue to simmer in many countries while others appear to be well positioned for strong growth
  - Employ active management with well-developed macro views to help navigate tricky environment and avoid pitfalls of benchmark biases
- **Stay positioned to take advantage of volatility as central bank policy expectations flow through to markets**
  - Uncertainty remains about the effectiveness of ECB stimulus and the timing of the Fed raising rates
  - Steep yield curve suggests long-term bonds offer a better risk profile as a duration source
  - Higher volatility should benefit active management and yield more attractive opportunities for dynamic strategies

# NEPC Updates

Third Quarter 2014

## Highlights of Third Quarter Happenings at NEPC

### NEPC Research

#### Recent White Papers Posted

- *Demystifying Systematic Macro Hedge Fund Strategies (October 2014)* – Alex N. Kamunya, CAIA, Senior Research Consultant, Hedge Funds
- *Investing in a Low-Return World: Avoiding Portfolio Paralysis (September 2014)* – Timothy McCusker, FSA, CFA, CAIA, Chief Investment Officer
- *Private Equity Fundraising: Too Fast, Too Furious? (August 2014)* – NEPC Private Equity Team
- *Investment Outsourcing: Evolution of the Industry, Products and Solutions (August 2014)* – Steven F. Charlton, CFA, Director of Consulting Services



### Professional Staff Updates

- David W. Moore, Partner, ARM, CEBS, and CPCU named head of Healthcare Consulting Practice
- Craig A. Svendsen, CFA, Partner named head of DB Corporate Consulting Practice

### CIO Magazine's Influential Investment Consultants 2014 Awards

NEPC is excited to announce that two of its professionals appeared on CIO Magazine's (formerly aiCIO) annual list of the world's 25 most influential investment consultants in the institutional investment universe. **Chief Investment Officer, Tim McCusker**, was in the top ten, ranking sixth, and **KC Connors**, a fellow **NEPC Partner and Head of our Philanthropic Practice Team**, ranked eighteenth. The list, released earlier this month, is CIO's yearly ranking of the most influential institutional consultants who have made a positive impact working with their clients. Sourced from interviews with pension and non-profit CIOs, asset managers and former consultants, the list "represents our best approximation of the hierarchy of today's institutional consultant industry," said CIO. To learn more visit: [http://www.ai-cio.com/2014\\_Knowledge\\_Brokers.aspx](http://www.ai-cio.com/2014_Knowledge_Brokers.aspx)

### NEPC's Video Series – "Five Questions With..."

We are excited to announce NEPC's Video Series— "Five Questions With..."—and we couldn't think of a better way to kick off this series of investment insights than an interview with our very own CIO, Tim McCusker! Tim discusses his thoughts on the market and investment opportunities, and provides a recap of his first 100 days as NEPC's CIO. The goal of our series is to provide the perspectives of industry leaders and experts, who will discuss the state of the market and opportunities. We hope you enjoy this inaugural video and please be on the lookout for additional interviews in the near future! To view the video please visit: [http://www.nepc.com/clients/endowments\\_foundations](http://www.nepc.com/clients/endowments_foundations)



NEPC, LLC

September 30, 2014

## Total Fund Performance



# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Summary (Gross of Fees)

	Market Value	3 Mo Rank	YTD Rank	1 Yr Rank	3 Yrs Rank	5 Yrs Rank	10 Yrs Rank	15 Yr Rank	20 Yrs Rank	25 Yrs Rank	Return	Since									
Total Fund	\$3,241,033,418	-1.8%	70	3.7%	71	7.5%	95	10.1%	93	8.2%	93	6.6%	81	6.4%	32	8.2%	58	8.3%	54	8.9%	Mar-71
Policy Benchmark		-2.0%	88	3.9%	64	7.7%	89	9.6%	96	8.6%	87	6.5%	87	5.8%	63	--	--	--	--	--	Mar-71
Allocation Index		-2.1%	92	3.8%	67	7.8%	89	9.5%	96	8.0%	97	6.7%	69	5.9%	62	--	--	--	--	--	Mar-71
60% MSCI World (Gross) / 40% CITI WGBI		-2.7%	99	3.1%	93	7.6%	94	10.7%	83	7.7%	97	6.6%	81	5.1%	95	7.0%	94	--	--	--	Mar-71
InvestorForce Public DB > \$1B Gross Median		-1.5%		4.2%		9.1%		12.6%		10.1%		7.1%		6.0%		8.2%		8.3%		--	Mar-71

For the five-year period ending September 30, 2014, the Fund returned 8.2%, trailing the policy benchmark by 0.4% and ranking in the 93<sup>rd</sup> percentile of the InvestorForce Public Funds > \$1 Billion Universe. The Fund's volatility ranks in the 30<sup>th</sup> percentile over the five-year period, resulting in a strong Sharpe Ratio on an absolute basis.

For the three-year period ending September 30, 2014, the Fund returned 10.1%, outperforming the policy benchmark by 0.5% and ranking in the 93<sup>rd</sup> percentile of its peers. The Fund's volatility ranks near the top third of its peer group for the period.

For the one year ending September 30, 2014, the Fund produced a net investment gain of \$227.6 million, which includes a net investment loss of \$57.8 million in the third calendar quarter. Assets increased from \$3.06 billion one year ago to \$3.24 billion on September 30, 2014, with \$41.7 million in net distributions during the year.

For the one-year period ending September 30, 2014, the Fund returned 7.5%, trailing the policy benchmark by 0.2%. The Fund's volatility ranks in the top quartile of its peers, resulting in risk-adjusted performance ranking in the 72<sup>nd</sup> percentile.

Please see the appendix for additional performance disclosures.

### 5 Years Ending September 30, 2014

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	8.2%	93	7.4%	30	1.1	84	1.7	75
Policy Benchmark	8.6%	87	7.3%	26	1.2	60	1.9	45
InvestorForce Public DB > \$1B Gross Median	10.1%	--	8.2%	--	1.2	--	1.9	--

### 3 Years Ending September 30, 2014

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	10.1%	93	6.5%	34	1.6	97	2.5	94
Policy Benchmark	9.6%	96	6.2%	21	1.6	96	2.6	87
InvestorForce Public DB > \$1B Gross Median	12.6%	--	6.8%	--	1.8	--	2.9	--

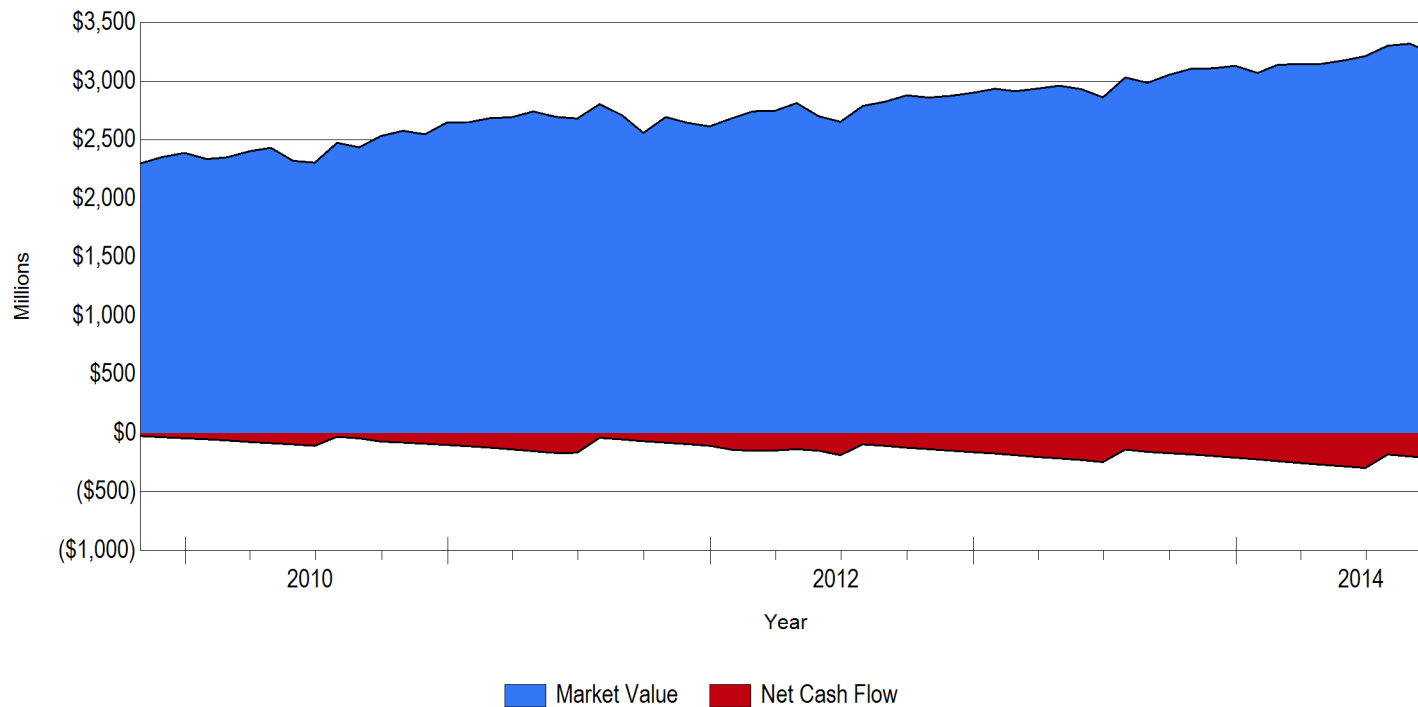
### 1 Year Ending September 30, 2014

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	7.5%	95	4.8%	17	1.5	72	3.8	47
Policy Benchmark	7.7%	89	4.9%	17	1.6	70	3.4	73
InvestorForce Public DB > \$1B Gross Median	9.1%	--	5.6%	--	1.6	--	3.8	--

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Asset Growth Summary

**Market Value History**  
Since NEPC began tracking performance, April 1, 2008 thru September 30, 2014

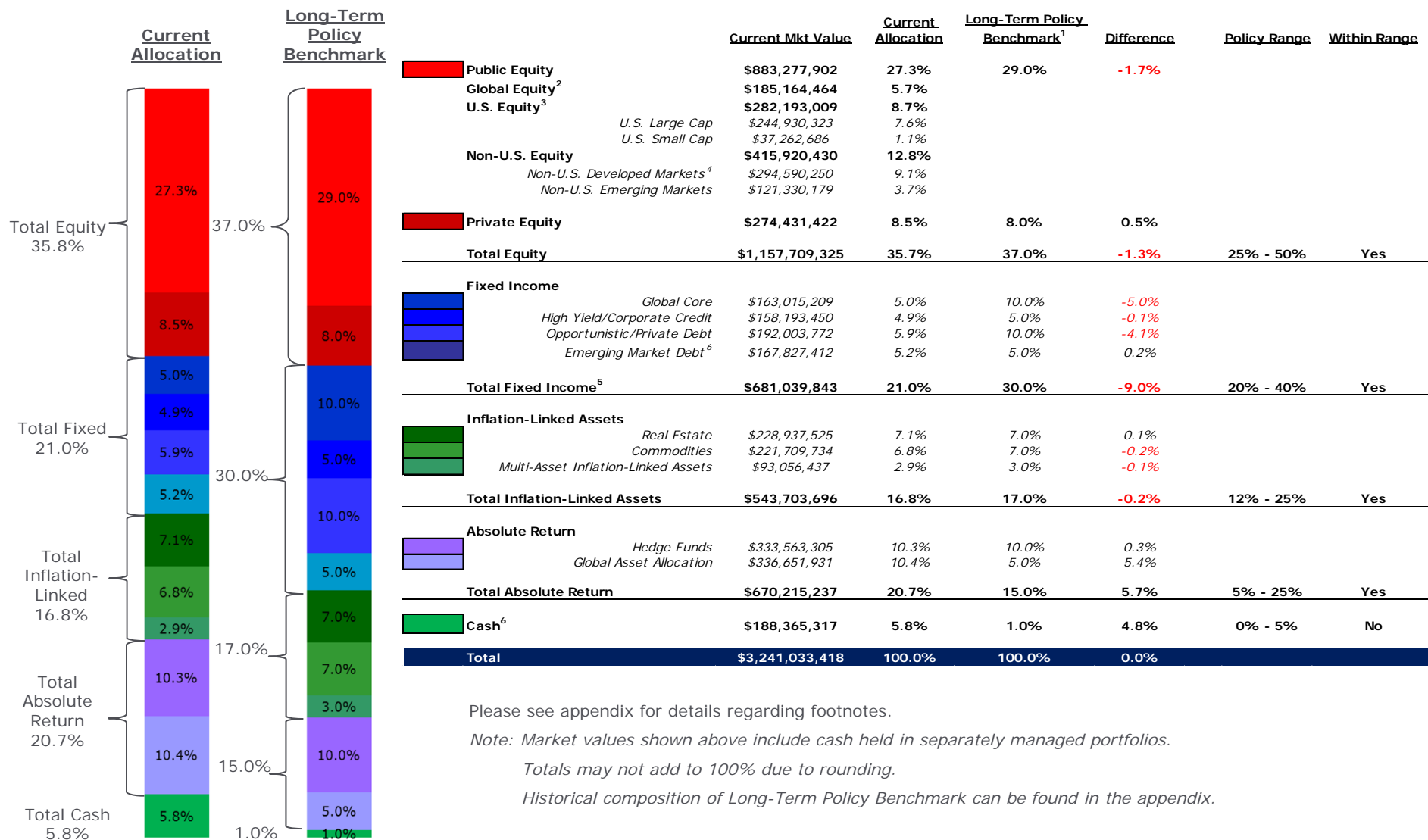


Sources of Portfolio Growth	Last Three Months	Year-To-Date	One Year	Three Years	Five Years	Inputted Date 4/1/08
Beginning Market Value	\$3,214,627,471	\$3,131,959,520	\$3,055,101,947	\$2,559,880,556	\$2,337,460,359	\$2,583,363,926
Net Additions/Withdrawals	\$84,230,568	-\$3,888,155	-\$41,687,388	-\$144,267,564	-\$197,887,306	-\$213,060,140
Investment Earnings	-\$57,824,621	\$112,962,053	\$227,618,859	\$825,420,426	\$1,101,460,364	\$870,729,632
Ending Market Value	\$3,241,033,418	\$3,241,033,418	\$3,241,033,418	\$3,241,033,418	\$3,241,033,418	\$3,241,033,418



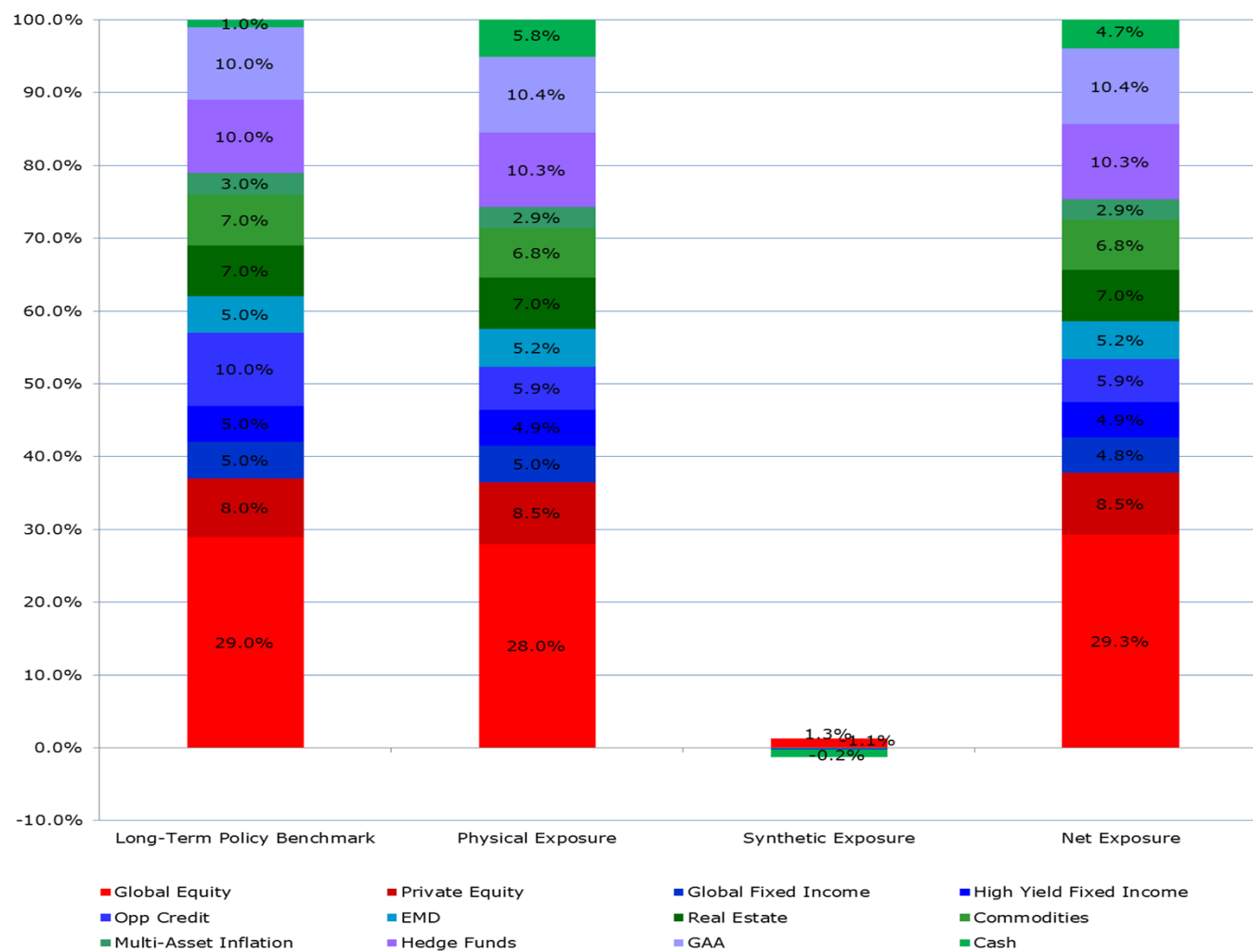
# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Asset Allocation vs. Policy Targets



# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Asset Allocation vs. Policy Targets (with detailed Overlay exposure)



Note: Long-Term Policy Benchmark and Physical Exposure matches prior page. Synthetic Exposure provided by Russell as of 9/30/2014 based on unaudited month-end valuations. Exposure shown above is intended to provide a snapshot of exposure as of month-end.

# City of San Jose Police and Fire Department Retirement Plan

## Asset Growth Summary Detail – Public Equity

	Quarter Ending September 30, 2014			
	Beginning Market Value	Net Cash Flow	Net Investment Change	Ending Market Value
Artisan Global Opportunities	\$93,772,606	-\$200,610	-\$518,706	\$93,053,290
Artisan Global Value	\$95,045,920	\$0	-\$2,953,759	\$92,092,161
Liquidating - Russell MSCI ACWI Index	\$9,103	\$0	\$971	\$10,074
Liquidating - Russell MSCI ACWI Value Index	\$95,902	-\$87,304	-\$1,495	\$7,103
Equity Transition	\$1,977	\$0	-\$141	\$1,836
<b>Global Equity Composite</b>	<b>\$188,925,508</b>	<b>-\$287,914</b>	<b>-\$3,473,130</b>	<b>\$185,164,464</b>
Russell R1000	\$433,923	-\$16	\$8,817	\$442,724
NT Russell 1000 Index Fund	\$272,679,815	-\$30,009,154	\$1,816,102	\$244,486,763
Liquidating - Robeco/Boston Partners Large Cap Value	\$836	-\$1,109	\$1,109	\$836
Transition Account #1	\$3,761	-\$1	-\$176	\$3,584
Liquidating - RS Small Cap Value	\$28,121	\$0	-\$519	\$27,602
RBC Small Cap Core	\$0	\$40,000,000	-\$2,768,500	\$37,231,500
<b>U.S. Equity Composite</b>	<b>\$273,146,456</b>	<b>\$9,989,720</b>	<b>-\$943,167</b>	<b>\$282,193,009</b>
Russell MSCI EAFE + CAD	\$2,261,594	\$0	-\$26,421	\$2,235,173
NT Russell MSCI World ex US IMI Index Fund	\$245,691,928	-\$23,775	-\$14,805,808	\$230,862,345
Liquidating - Brandes Int'l Equity	\$142,219	\$0	-\$9,839	\$132,380
Liquidating - Russell MSCI EAFE + CAD Small Cap Index	\$136,885	\$0	-\$4,139	\$132,746
Oberweis	\$65,410,866	\$0	-\$4,183,260	\$61,227,606
MSCI Emerging Markets ETF (ticker: EEM)	\$35,653,571	\$0	-\$1,387,178	\$34,266,393
Vontobel Emerging Markets	\$65,253,359	-\$143,270	-\$595,074	\$64,515,014
Aberdeen Frontier Markets	\$22,449,599	\$0	\$99,173	\$22,548,772
<b>International Equity Composite</b>	<b>\$437,000,021</b>	<b>-\$167,045</b>	<b>-\$20,912,546</b>	<b>\$415,920,429</b>
<b>Total Equity Composite</b>	<b>\$899,071,985</b>	<b>\$9,534,761</b>	<b>-\$25,328,843</b>	<b>\$883,277,902</b>

# City of San Jose Police and Fire Department Retirement Plan

## Asset Growth Summary Detail – Private Equity

	Quarter Ending September 30, 2014			
	Beginning Market Value	Net Cash Flow	Net Investment Change	Ending Market Value
57 Stars Global Opportunity Fund 3	\$5,903,874	\$1,707,306	\$0	\$7,611,179
TCW/Crescent Mezzanine Partners V	\$8,028,462	-\$742,835	\$0	\$7,285,626
CCMP Capital Investors III		\$5,369,466	\$0	\$5,369,466
Crescent Mezzanine Partners VI	\$7,519,503	\$1,480,935	\$0	\$9,000,438
HarbourVest (Fund VII - Buyout; Fund VIII - Venture; Fund VIII - Buyout)	\$35,299,390	-\$2,116,970	\$0	\$33,182,420
Industry Ventures III		\$2,602,467	\$0	\$2,602,467
Pantheon USA Fund VI	\$28,983,974	-\$1,240,009	\$0	\$27,743,957
Portfolio Advisors Private Equity Fund III (A - Buyout; B - Venture; C - Special Situations)	\$13,871,465	-\$887,187	\$0	\$12,984,278
Siguler Guff DOF III	\$23,647,355	-\$4,530,314	\$0	\$19,117,041
TPG Opportunity Partners II	\$12,869,820	\$0	\$0	\$12,869,820
TPG Opportunity Partners III	\$873,330	\$2,900	\$0	\$876,230
Warburg Pincus Private Equity XI	\$9,442,998	\$1,440,000	\$0	\$10,882,998
Russell R3000	\$175,144	\$0	\$665	\$175,809
NT Russell 3000 Index Fund	\$107,326,799	\$17,490,641	-\$87,748	\$124,729,693
<b>Total Private Equity Composite</b>	<b>\$253,942,114</b>	<b>\$20,576,400</b>	<b>-\$87,083</b>	<b>\$274,431,422</b>
<b>Total Private Equity Composite ex-Interim Exposure</b>	<b>\$253,766,970</b>	<b>\$20,576,400</b>	<b>-\$87,748</b>	<b>\$274,255,613</b>

# City of San Jose Police and Fire Department Retirement Plan

## Asset Growth Summary Detail – Fixed Income

	Beginning Market Value	Quarter Ending September 30, 2014		Ending Market Value
		Net Cash Flow	Net Investment Change	
Colchester Global Fixed Income	\$89,724,169	\$4,894,340	-\$2,567,231	\$92,051,278
Franklin Templeton Global Multi-Sector Plus	\$67,522,231	\$4,000,000	-\$559,679	\$70,962,552
<b>Global Fixed Income Composite</b>	<b>\$157,246,400</b>	<b>\$8,894,340</b>	<b>-\$3,126,910</b>	<b>\$163,013,830</b>
Beach Point Total Return	\$80,515,141	\$0	-\$744,119	\$79,771,022
Symphony L/S Credit Fund	\$77,531,669	\$0	\$885,974	\$78,417,643
Liquidating - BC High Yield Index ETF	\$316	\$0	\$0	\$316
Liquidating - Seix Bank Loans	\$4,469	\$0	\$0	\$4,469
<b>Corporate Credit Composite</b>	<b>\$158,051,595</b>	<b>\$0</b>	<b>\$141,855</b>	<b>\$158,193,450</b>
PIMCO DiSCO II	\$67,432,981	-\$67,432,981	\$0	
Marathon European Credit Opportunity Fund	\$28,305,903	-\$6,295,450	\$99,718	\$22,110,171
GSO Direct Lending Fund	\$30,258,787	-\$7,641,213	\$1,338,155	\$23,955,728
Medley Opportunity Fund II	\$46,579,995	\$799,867	\$1,387,654	\$48,767,515
White Oak Direct Lending Fund	\$45,033,613	-\$4,534,524	\$1,039,990	\$41,539,079
Capula European Special Situations Fund	\$37,184,399	\$18,000,000	\$446,880	\$55,631,278
<b>Opportunistic Credit Composite</b>	<b>\$254,795,678</b>	<b>-\$67,104,301</b>	<b>\$4,312,397</b>	<b>\$192,003,771</b>
BlueBay Emerging Market Select Debt	\$106,070,111	\$11,947,932	-\$3,743,308	\$114,274,734
Iguazu Partners	\$53,137,528	\$0	\$415,150	\$53,552,678
<b>Emerging Market Debt Composite</b>	<b>\$159,207,639</b>	<b>\$11,947,932</b>	<b>-\$3,328,158</b>	<b>\$167,827,412</b>
Liquidating - Seix Core Fixed Income	\$78	\$0	\$1,301	\$1,379
<b>Total Fixed Income Composite</b>	<b>\$729,301,390</b>	<b>-\$46,262,029</b>	<b>-\$1,999,515</b>	<b>\$681,039,842</b>

City of San Jose Police and Fire Department Retirement Plan

## Asset Growth Summary Detail – Inflation-Linked Assets

	Quarter Ending September 30, 2014			
	Beginning Market Value	Net Cash Flow	Net Investment Change	Ending Market Value
American Realty Separate Account	\$22,626,800	-\$123,502	\$0	\$22,503,298
American Realty Core Fund	\$124,585,565	-\$1,576,169	\$0	\$123,009,396
BlackStone Real Estate Debt Strategies II	\$5,154,481	-\$185,461	\$0	\$4,969,020
Brookfield Strategic Real Estate Partners	\$5,210,000	\$907,213	\$0	\$6,117,213
Och Ziff Real Estate		\$227,466	\$0	\$227,466
Orion European Real Estate Fund IV	\$751,648	\$842,560	\$0	\$1,594,208
TA Realty Fund X	\$6,902,833	\$1,897,750	\$0	\$8,800,583
Tristan EPISO 3	\$1,206,015	\$301,925	\$0	\$1,507,940
Russell Real Estate	\$62,888,639	-\$2,400,000	-\$280,240	\$60,208,400
<b>Total Real Estate Composite</b>	<b>\$229,325,981</b>	<b>-\$108,218</b>	<b>-\$280,240</b>	<b>\$228,937,524</b>
<b>Total Real Estate Composite ex-Interim Exposure</b>	<b>\$166,437,342</b>	<b>\$2,291,782</b>	<b>\$0</b>	<b>\$168,729,124</b>
Credit Suisse Balanced Risk Commodity Index	\$227,363,803	\$10,376,960	-\$16,031,029	\$221,709,734
<b>Total Commodities Composite</b>	<b>\$227,363,803</b>	<b>\$10,376,960</b>	<b>-\$16,031,029</b>	<b>\$221,709,734</b>
Wellington Diversified Inflation Hedges	\$97,938,575	\$2,910,030	-\$7,792,168	\$93,056,437
<b>Total Multi-Asset Inflation-Linked Assets</b>	<b>\$97,938,575</b>	<b>\$2,910,030</b>	<b>-\$7,792,168</b>	<b>\$93,056,437</b>

# City of San Jose Police and Fire Department Retirement Plan

## Asset Growth Summary Detail – Absolute Return

	Beginning Market Value	Quarter Ending September 30, 2014		Ending Market Value
		Net Cash Flow	Net Investment Change	
Amici	\$10,478,736	\$0	-\$503,954	\$9,974,782
Arrowgrass	\$22,875,066	\$0	-\$372,484	\$22,502,582
BlackRock	\$9,316,859	-\$9,281,078	-\$35,781	
BlueTrend	\$8,940,937	\$0	-\$11,655	\$8,929,283
Brevan Howard	\$20,339,104	\$0	\$454,913	\$20,794,017
Claren Road	\$10,121,641	\$20,000,000	-\$551,869	\$29,569,773
Davidson Kempner	\$22,874,345	\$0	\$7,663	\$22,882,008
DE Shaw	\$23,615,944	\$0	\$807,828	\$24,423,772
Horizon	\$10,984,662	\$0	\$333,280	\$11,317,941
Hudson Bay	\$21,191,836	\$0	-\$43,017	\$21,148,819
Kepos	\$4,725,889	\$0	\$538,965	\$5,264,853
Marshall Wace	\$10,044,566	\$0	\$296,118	\$10,340,684
Pine River	\$22,360,662	\$0	\$586,825	\$22,947,486
Sandler	\$10,157,805	\$0	\$201,819	\$10,359,624
Senator	\$11,963,674	\$0	\$53,110	\$12,016,784
Russell Hedge Funds	\$86,800,173	\$15,000,000	-\$709,276	\$101,090,897
<b>Total Hedge Funds</b>	<b>\$306,791,899</b>	<b>\$25,718,922</b>	<b>\$1,052,485</b>	<b>\$333,563,305</b>
<b>Total Hedge Funds ex-Interim Exposure</b>	<b>\$219,991,726</b>	<b>\$10,718,922</b>	<b>\$1,761,761</b>	<b>\$232,472,408</b>
GMO Benchmark-Free Allocation Fund	\$131,717,515	\$0	-\$3,264,305	\$128,453,210
PIMCO All Asset All Authority Fund	\$103,732,003	\$0	-\$3,997,696	\$99,734,307
Standard Life GARS Fund	\$105,763,465	\$0	\$2,700,949	\$108,464,414
<b>Total Global Asset Allocation</b>	<b>\$341,212,983</b>	<b>\$0</b>	<b>-\$4,561,052</b>	<b>\$336,651,931</b>

# City of San Jose Police and Fire Department Retirement Plan

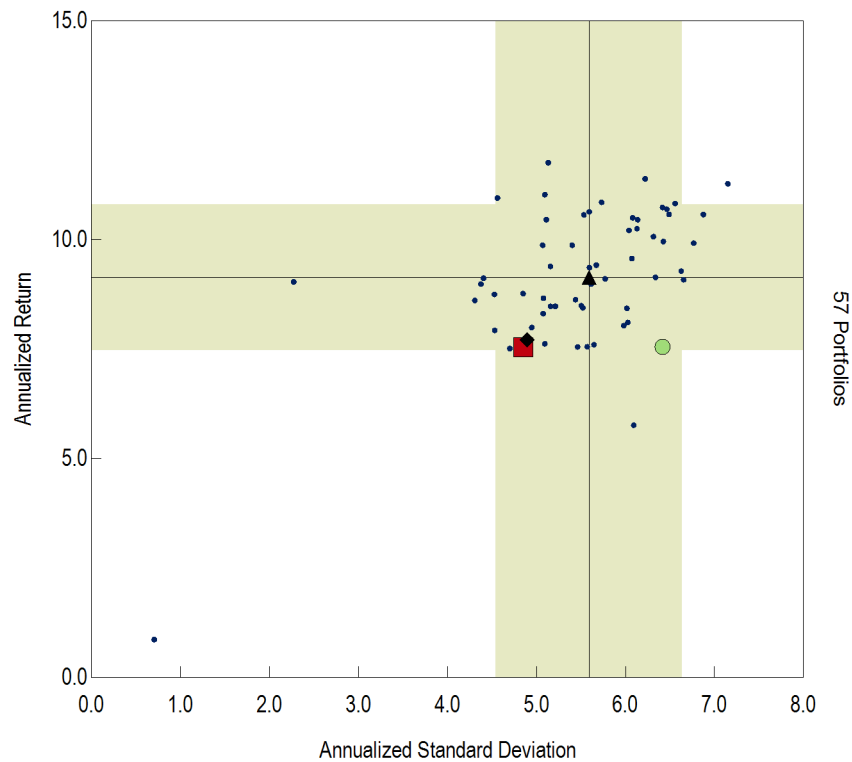
## Asset Growth Summary Detail – Cash & Overlay

	Beginning Market Value	Quarter Ending September 30, 2014		Ending Market Value
		Net Cash Flow	Net Investment Change	
Cash	\$36,210,546	\$61,483,743	-\$1,697	\$97,692,592
Russell Overlay	\$93,468,193	\$0	-\$2,795,468	\$90,672,725
<b>Total Cash and Overlay</b>	<b>\$129,678,739</b>	<b>\$61,483,743</b>	<b>-\$2,797,165</b>	<b>\$188,365,317</b>



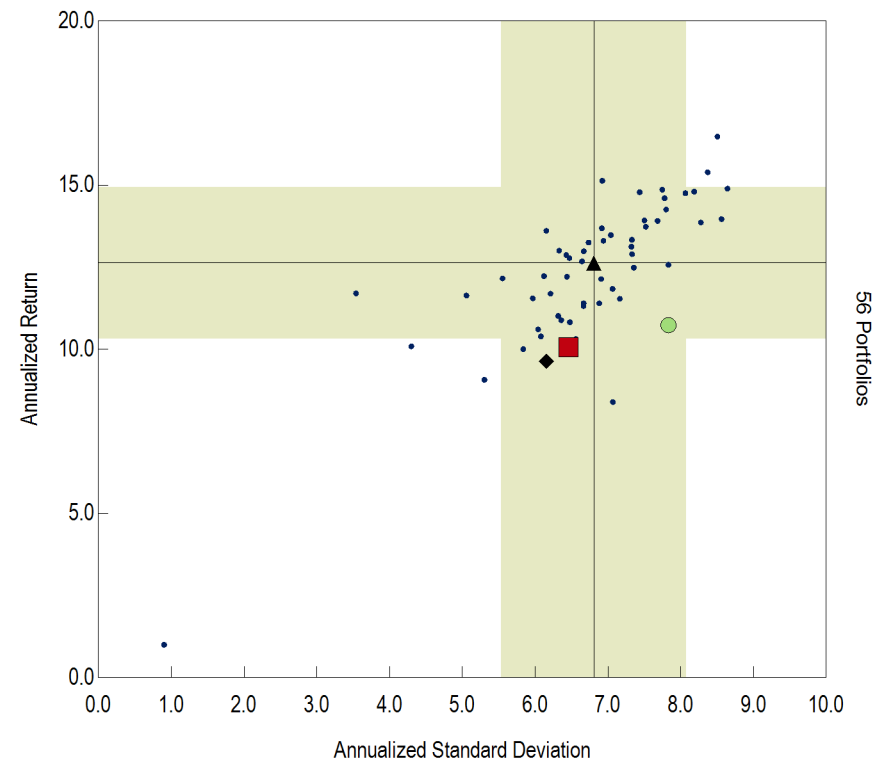
# Total Fund Risk/Return

1 Year Ending September 30, 2014



- Total Fund
- ◆ Policy Benchmark
- 60% MSCI World (Gross) / 40% CITI WGBI
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB > \$1B Gross

3 Years Ending September 30, 2014

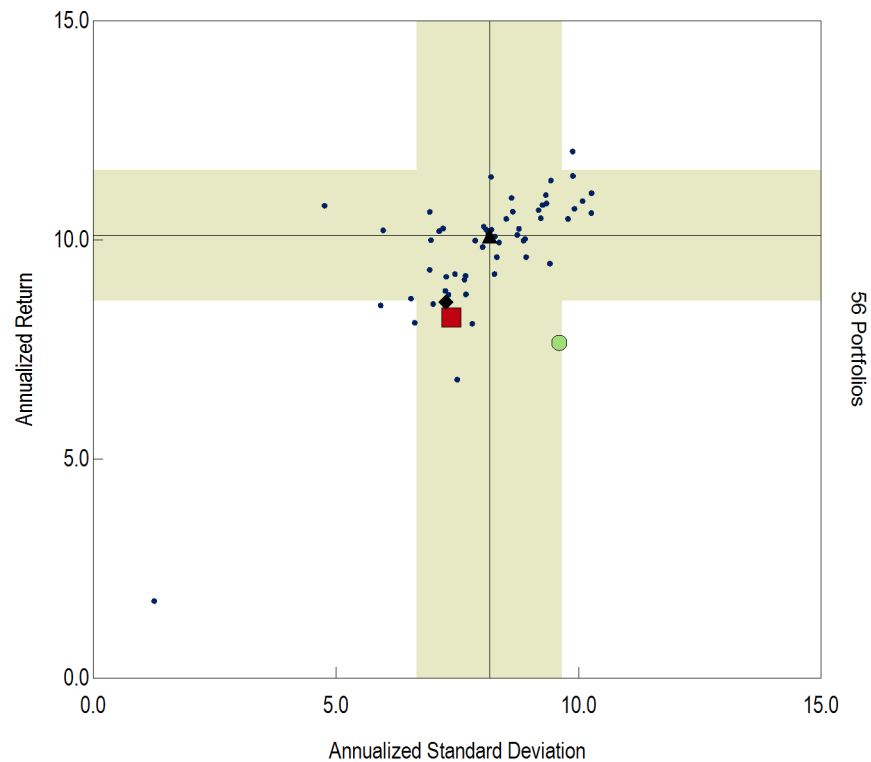


- Total Fund
- ◆ Policy Benchmark
- 60% MSCI World (Gross) / 40% CITI WGBI
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB > \$1B Gross

# City of San Jose Police and Fire Department Retirement Plan

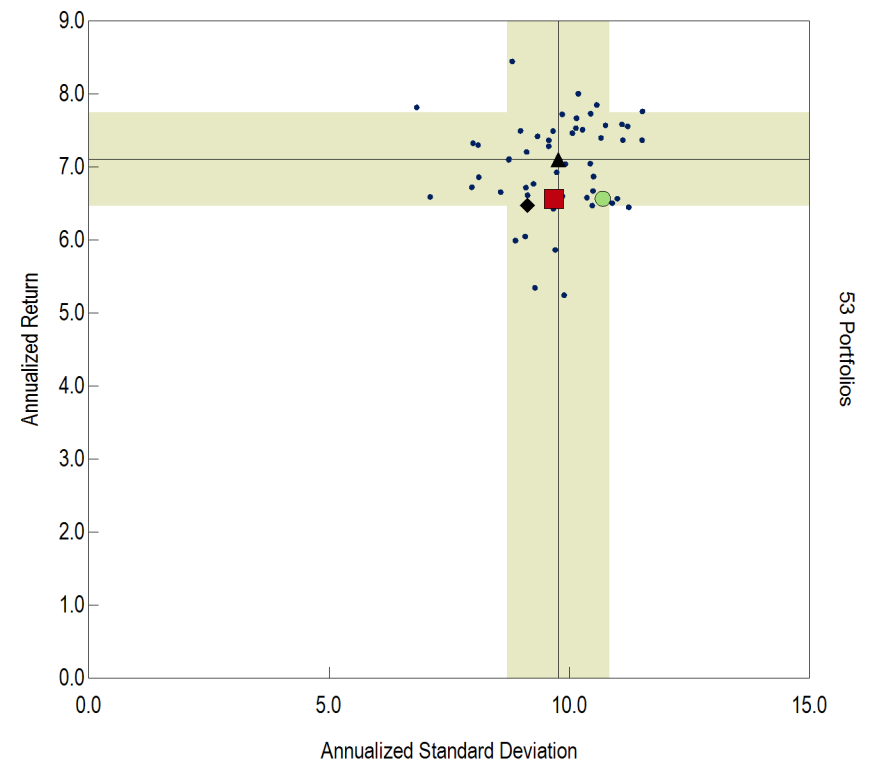
## Total Fund Risk/Return

5 Years Ending September 30, 2014



- Total Fund
- ◆ Policy Benchmark
- 60% MSCI World (Gross) / 40% CITI WGBI
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB > \$1B Gross

10 Years Ending September 30, 2014

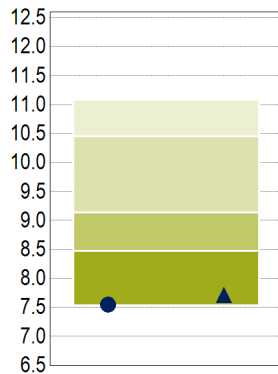


- Total Fund
- ◆ Policy Benchmark
- 60% MSCI World (Gross) / 40% CITI WGBI
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB > \$1B Gross

## Total Fund Risk Statistics vs. Peer Universe

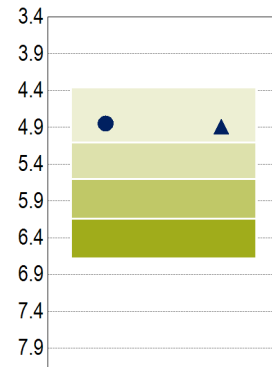
### Total Fund vs. IFx Public DB > \$1B Gross (USD) 1 Year

Anlzd Return



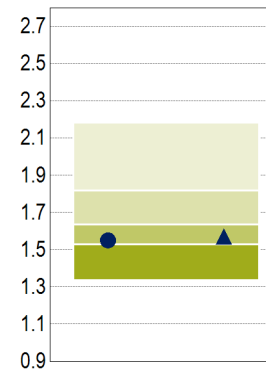
● Total Fund	
Value	7.5
%tile	95
▲ Policy Benchmark	
Value	7.7
%tile	89
Universe	
5th %tile	11.1
25th %tile	10.5
Median	9.1
75th %tile	8.5
95th %tile	7.5

Anlzd Standard Deviation



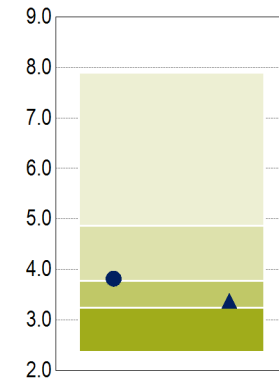
● Total Fund	
Value	4.8
%tile	17
▲ Policy Benchmark	
Value	4.9
%tile	17
Universe	
5th %tile	4.4
25th %tile	5.1
Median	5.6
75th %tile	6.1
95th %tile	6.7

Sharpe Ratio



● Total Fund	
Value	1.5
%tile	72
▲ Policy Benchmark	
Value	1.6
%tile	70
Universe	
5th %tile	2.2
25th %tile	1.8
Median	1.6
75th %tile	1.5
95th %tile	1.3

Sortino Ratio

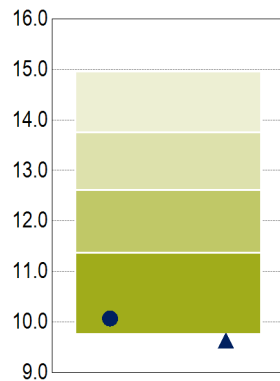


● Total Fund	
Value	3.8
%tile	47
▲ Policy Benchmark	
Value	3.4
%tile	73
Universe	
5th %tile	7.9
25th %tile	4.9
Median	3.8
75th %tile	3.3
95th %tile	2.4

## Total Fund Risk Statistics vs. Peer Universe

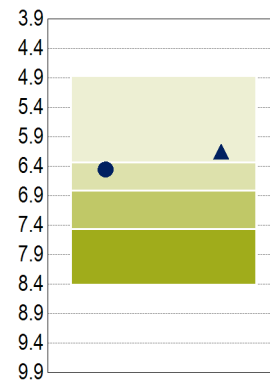
### Total Fund vs. IFx Public DB > \$1B Gross (USD) 3 Years

Anlzd Return



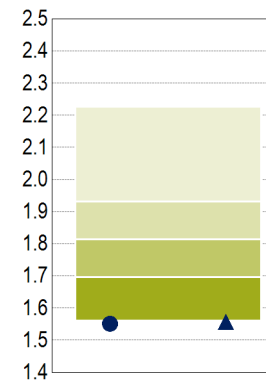
● Total Fund	
Value	10.1
%tile	93
▲ Policy Benchmark	
Value	9.6
%tile	96
Universe	
5th %tile	15.0
25th %tile	13.8
Median	12.6
75th %tile	11.4
95th %tile	9.8

Anlzd Standard Deviation



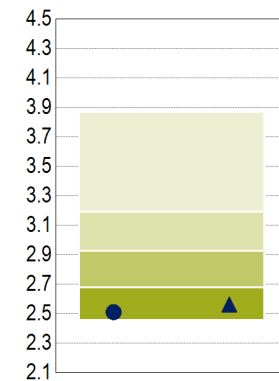
● Total Fund	
Value	6.5
%tile	34
▲ Policy Benchmark	
Value	6.2
%tile	21
Universe	
5th %tile	4.9
25th %tile	6.3
Median	6.8
75th %tile	7.5
95th %tile	8.4

Sharpe Ratio



● Total Fund	
Value	1.6
%tile	97
▲ Policy Benchmark	
Value	1.6
%tile	96
Universe	
5th %tile	2.2
25th %tile	1.9
Median	1.8
75th %tile	1.7
95th %tile	1.6

Sortino Ratio

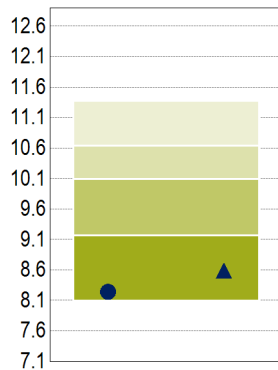


● Total Fund	
Value	2.5
%tile	94
▲ Policy Benchmark	
Value	2.6
%tile	87
Universe	
5th %tile	3.9
25th %tile	3.2
Median	2.9
75th %tile	2.7
95th %tile	2.5

## Total Fund Risk Statistics vs. Peer Universe

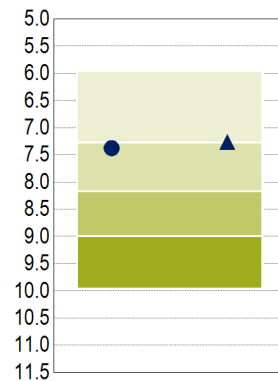
### Total Fund vs. IFx Public DB > \$1B Gross (USD) 5 Years

Anlzd Return



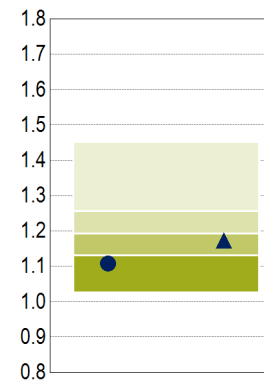
● Total Fund	
Value	8.2
%tile	93
▲ Policy Benchmark	
Value	8.6
%tile	87
Universe	
5th %tile	11.4
25th %tile	10.6
Median	10.1
75th %tile	9.2
95th %tile	8.1

Anlzd Standard Deviation



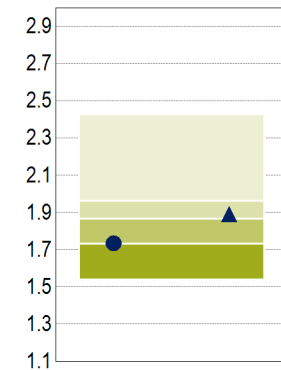
● Total Fund	
Value	7.4
%tile	30
▲ Policy Benchmark	
Value	7.3
%tile	26
Universe	
5th %tile	6.0
25th %tile	7.3
Median	8.2
75th %tile	9.0
95th %tile	10.0

Sharpe Ratio



● Total Fund	
Value	1.1
%tile	84
▲ Policy Benchmark	
Value	1.2
%tile	60
Universe	
5th %tile	1.5
25th %tile	1.3
Median	1.2
75th %tile	1.1
95th %tile	1.0

Sortino Ratio

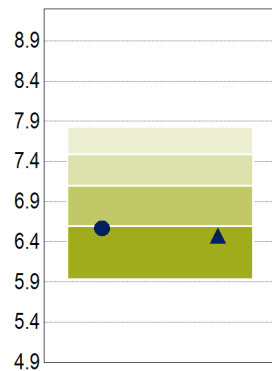


● Total Fund	
Value	1.7
%tile	75
▲ Policy Benchmark	
Value	1.9
%tile	45
Universe	
5th %tile	2.4
25th %tile	2.0
Median	1.9
75th %tile	1.7
95th %tile	1.5

## Total Fund Risk Statistics vs. Peer Universe

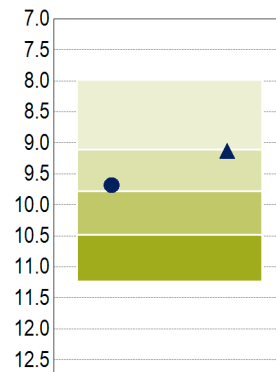
### Total Fund vs. IFx Public DB > \$1B Gross (USD) 10 Years

Anlzd Return



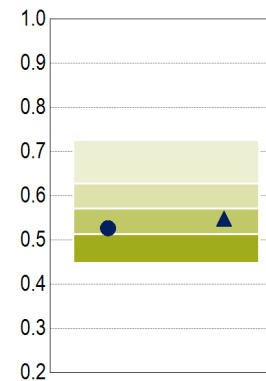
● Total Fund	
Value	6.6
%tile	81
▲ Policy Benchmark	
Value	6.5
%tile	87
Universe	
5th %tile	7.8
25th %tile	7.5
Median	7.1
75th %tile	6.6
95th %tile	5.9

Anlzd Standard Deviation



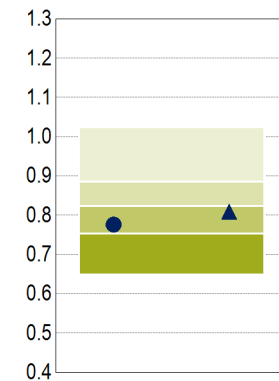
● Total Fund	
Value	9.7
%tile	45
▲ Policy Benchmark	
Value	9.1
%tile	29
Universe	
5th %tile	8.0
25th %tile	9.1
Median	9.8
75th %tile	10.5
95th %tile	11.2

Sharpe Ratio



● Total Fund	
Value	0.5
%tile	72
▲ Policy Benchmark	
Value	0.5
%tile	63
Universe	
5th %tile	0.7
25th %tile	0.6
Median	0.6
75th %tile	0.5
95th %tile	0.4

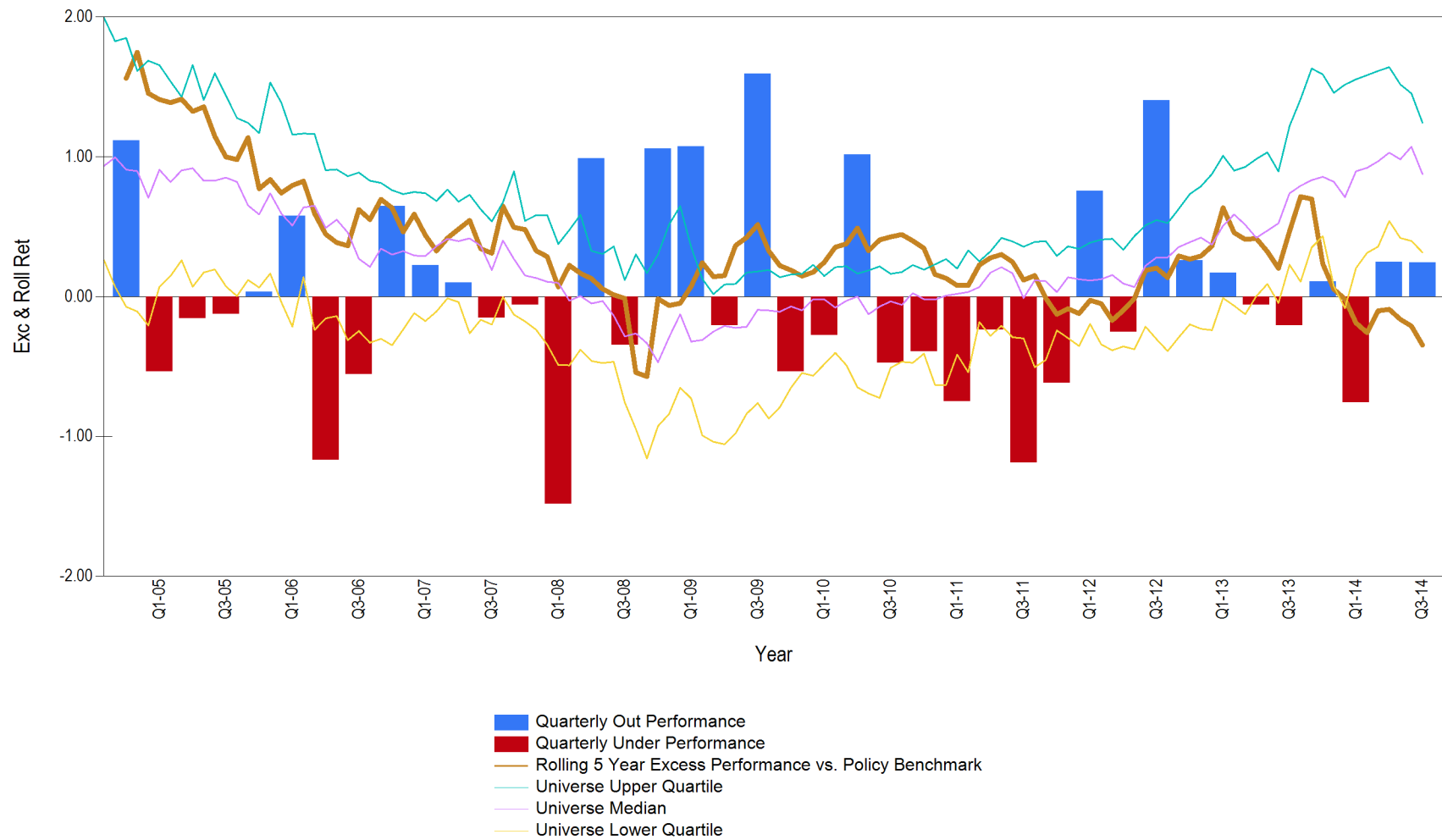
Sortino Ratio



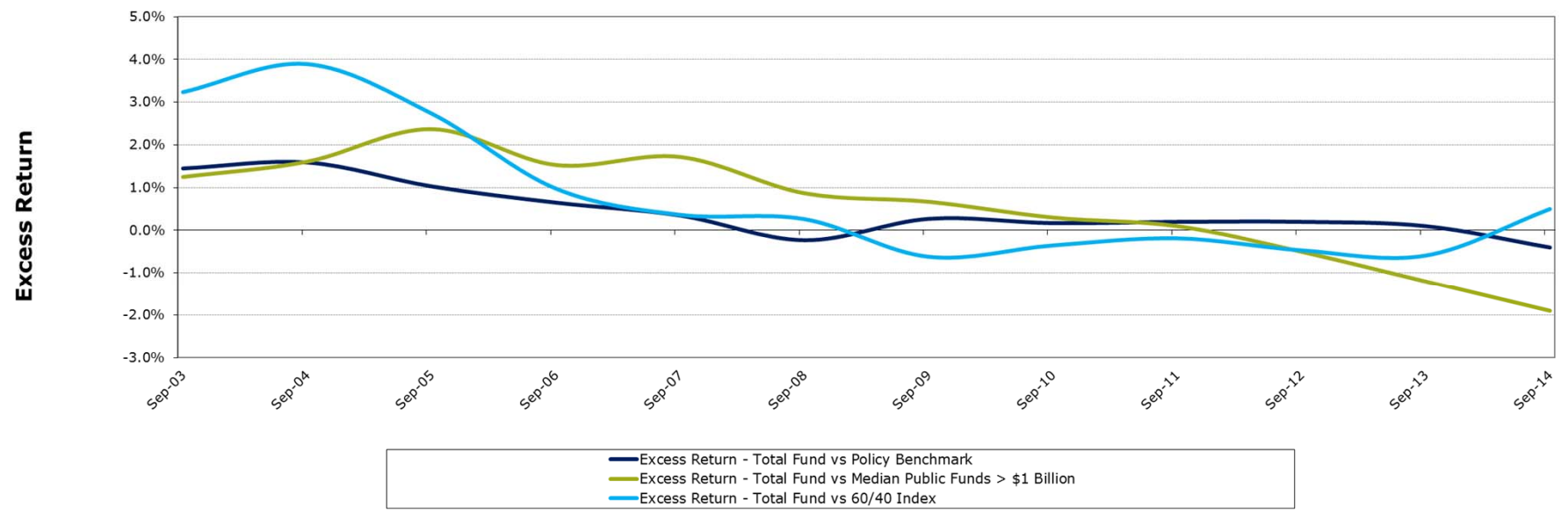
● Total Fund	
Value	0.8
%tile	70
▲ Policy Benchmark	
Value	0.8
%tile	59
Universe	
5th %tile	1.0
25th %tile	0.9
Median	0.8
75th %tile	0.8
95th %tile	0.6

## Total Fund Rolling 5-Year Excess Returns

Annualized Excess Performance



## Total Fund Rolling 5-Year Excess Returns

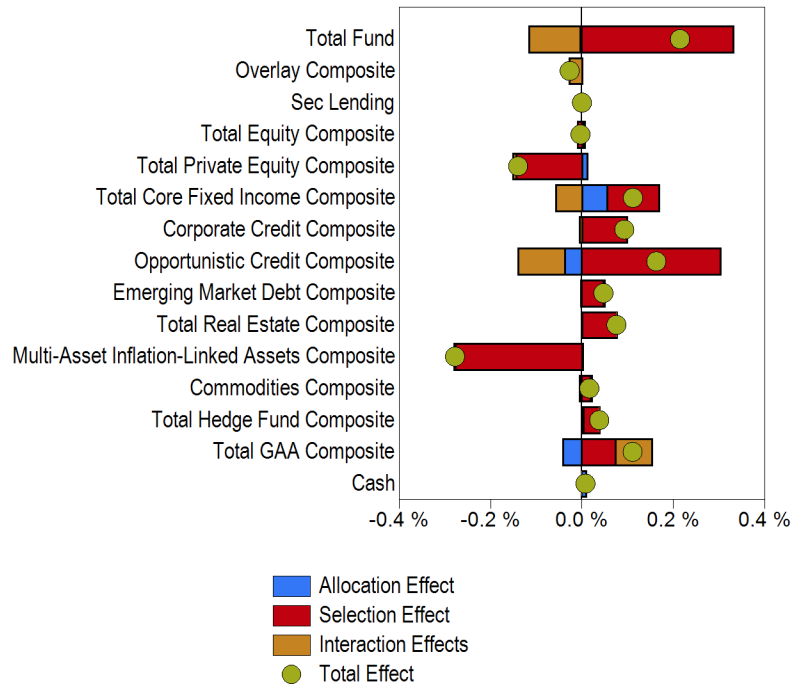




# City of San Jose Police and Fire Department Retirement Plan

## Total Fund

**Attribution Effects**  
3 Months Ending September 30, 2014



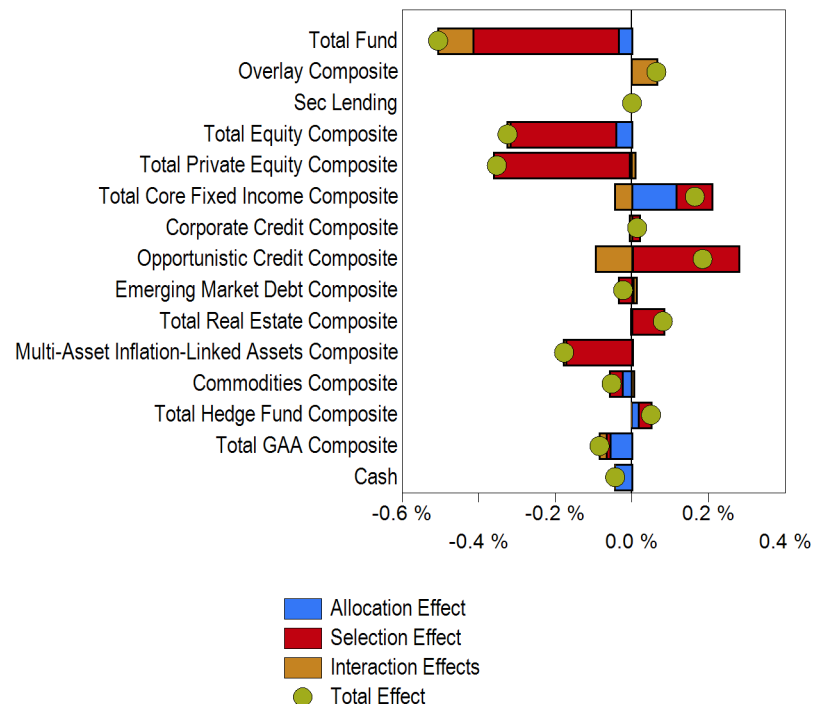
**Attribution Summary**  
3 Months Ending September 30, 2014

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Overlay Composite	-3.0%	-2.0%	-1.0%	0.0%	0.0%	0.0%	0.0%
Sec Lending	--	--	--	--	0.0%	--	--
Total Equity Composite	-2.9%	-2.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Private Equity Composite	0.0%	1.8%	-1.8%	-0.1%	0.0%	0.0%	-0.1%
Total Core Fixed Income Composite	-2.0%	-3.1%	1.1%	0.1%	0.1%	-0.1%	0.1%
Corporate Credit Composite	0.1%	-1.9%	2.0%	0.1%	0.0%	0.0%	0.1%
Opportunistic Credit Composite	2.1%	-1.0%	3.0%	0.3%	0.0%	-0.1%	0.2%
Emerging Market Debt Composite	-2.1%	-3.1%	0.9%	0.0%	0.0%	0.0%	0.0%
Total Real Estate Composite	-0.1%	-1.2%	1.1%	0.1%	0.0%	0.0%	0.1%
Multi-Asset Inflation-Linked Assets Composite	-8.1%	1.1%	-9.2%	-0.3%	0.0%	0.0%	-0.3%
Commodities Composite	-6.8%	-7.1%	0.3%	0.0%	0.0%	0.0%	0.0%
Total Hedge Fund Composite	0.3%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%
Total GAA Composite	-1.3%	-2.8%	1.5%	0.1%	0.0%	0.1%	0.1%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>-1.8%</b>	<b>-2.0%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>0.2%</b>

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund

**Attribution Effects**  
9 Months Ending September 30, 2014



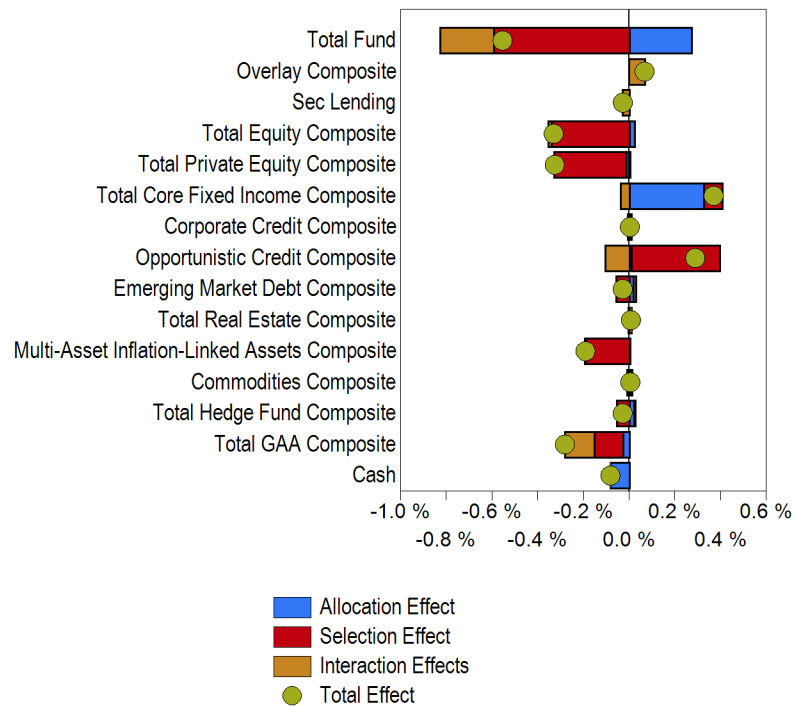
**Attribution Summary**  
9 Months Ending September 30, 2014

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Overlay Composite	15.3%	3.9%	11.4%	0.0%	0.0%	0.1%	0.1%
Sec Lending	--	--	--	0.0%	0.0%	0.0%	0.0%
Total Equity Composite	2.3%	3.2%	-0.9%	-0.3%	0.0%	0.0%	-0.3%
Total Private Equity Composite	8.3%	12.9%	-4.6%	-0.4%	0.0%	0.0%	-0.4%
Total Core Fixed Income Composite	2.5%	1.6%	0.9%	0.1%	0.1%	0.0%	0.2%
Corporate Credit Composite	3.9%	3.5%	0.4%	0.0%	0.0%	0.0%	0.0%
Opportunistic Credit Composite	5.9%	3.2%	2.8%	0.3%	0.0%	-0.1%	0.2%
Emerging Market Debt Composite	2.8%	3.5%	-0.6%	0.0%	0.0%	0.0%	0.0%
Total Real Estate Composite	5.7%	4.5%	1.2%	0.1%	0.0%	0.0%	0.1%
Multi-Asset Inflation-Linked Assets Composite	-0.3%	5.9%	-6.2%	-0.2%	0.0%	0.0%	-0.2%
Commodities Composite	3.1%	3.6%	-0.4%	0.0%	0.0%	0.0%	-0.1%
Total Hedge Fund Composite	2.3%	2.0%	0.3%	0.0%	0.0%	0.0%	0.0%
Total GAA Composite	2.7%	2.8%	-0.1%	0.0%	-0.1%	0.0%	-0.1%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>3.4%</b>	<b>3.9%</b>	<b>-0.5%</b>	<b>-0.4%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.5%</b>

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund

**Attribution Effects**  
1 Year Ending September 30, 2014



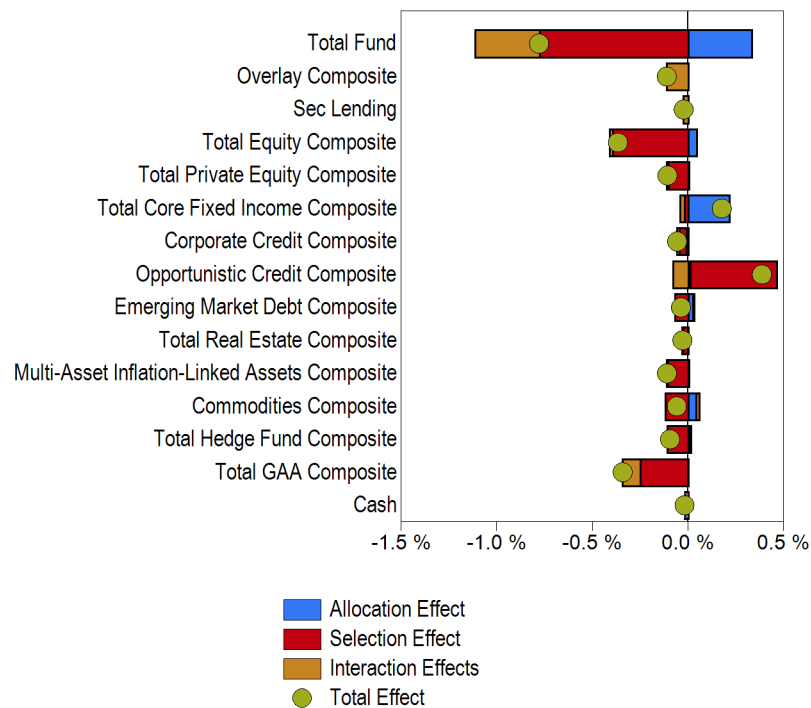
**Attribution Summary**  
1 Year Ending September 30, 2014

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Overlay Composite	19.7%	7.7%	12.0%	0.0%	0.0%	0.1%	0.1%
Sec Lending	--	--	--	0.0%	0.0%	0.0%	0.0%
Total Equity Composite	9.5%	10.7%	-1.2%	-0.3%	0.0%	0.0%	-0.3%
Total Private Equity Composite	15.0%	19.2%	-4.2%	-0.3%	0.0%	0.0%	-0.3%
Total Core Fixed Income Composite	2.5%	1.8%	0.7%	0.1%	0.3%	0.0%	0.4%
Corporate Credit Composite	7.4%	7.2%	0.2%	0.0%	0.0%	0.0%	0.0%
Opportunistic Credit Composite	9.7%	5.8%	3.9%	0.4%	0.0%	-0.1%	0.3%
Emerging Market Debt Composite	2.5%	3.5%	-1.0%	-0.1%	0.0%	0.0%	0.0%
Total Real Estate Composite	8.8%	8.6%	0.2%	0.0%	0.0%	0.0%	0.0%
Multi-Asset Inflation-Linked Assets Composite	--	6.6%	--	-0.2%	0.0%	0.0%	-0.2%
Commodities Composite	2.0%	2.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
Total Hedge Fund Composite	4.4%	4.9%	-0.5%	-0.1%	0.0%	0.0%	0.0%
Total GAA Composite	4.9%	7.2%	-2.3%	-0.1%	0.0%	-0.1%	-0.3%
Cash	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	-0.1%
<b>Total</b>	<b>7.2%</b>	<b>7.7%</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>0.3%</b>	<b>-0.2%</b>	<b>-0.6%</b>

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund

**Attribution Effects  
Beginning 1/1/2013**



**Attribution Summary  
Beginning 1/1/2013**

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Overlay Composite	1,078.2%	6.8%	1,071.4%	0.0%	0.0%	-0.1%	-0.1%
Sec Lending	--	--	--	0.0%	0.0%	0.0%	0.0%
Total Equity Composite	13.5%	14.9%	-1.4%	-0.4%	0.0%	0.0%	-0.4%
Total Private Equity Composite	17.0%	18.4%	-1.3%	-0.1%	0.0%	0.0%	-0.1%
Total Core Fixed Income Composite	0.5%	0.7%	-0.2%	0.0%	0.2%	0.0%	0.2%
Corporate Credit Composite	5.5%	6.3%	-0.8%	0.0%	0.0%	0.0%	-0.1%
Opportunistic Credit Composite	9.9%	5.4%	4.5%	0.4%	0.0%	-0.1%	0.4%
Emerging Market Debt Composite	-4.5%	-3.3%	-1.2%	-0.1%	0.0%	0.0%	0.0%
Total Real Estate Composite	9.8%	10.2%	-0.4%	0.0%	0.0%	0.0%	0.0%
Multi-Asset Inflation-Linked Assets Composite	--	--	--	-0.1%	0.0%	0.0%	-0.1%
Commodities Composite	-4.6%	-3.4%	-1.2%	-0.1%	0.0%	0.0%	-0.1%
Total Hedge Fund Composite	3.2%	4.3%	-1.0%	-0.1%	0.0%	0.0%	-0.1%
Total GAA Composite	4.5%	9.2%	-4.8%	-0.2%	0.0%	-0.1%	-0.3%
Cash	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>7.0%</b>	<b>7.8%</b>	<b>-0.8%</b>	<b>-0.8%</b>	<b>0.3%</b>	<b>-0.3%</b>	<b>-0.8%</b>

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Risk Statistics

3 Years Ending September 30, 2014

	% of Tot	Anlzd Ret	Anlzd Ret Rk	Anlzd Std Dev	Anlzd Std Dev Rk	Anlzd AJ	Anlzd AJ Rk	Tracking Error	Tracking Error Rank	Info Ratio	Info Ratio Rk	Beta	Sharpe Ratio
Total Equity Composite	27.3%	16.3%	60	12.0%	39	-0.2%	69	1.3%	1	-0.8	87	1.0	1.4
San Jose Custom Total Equity Benchmark	--	17.3%	50	12.6%	47	0.0%	68	0.0%	1	--	--	1.0	1.4
Global Equity Composite	5.7%	57.3%	1	85.3%	99	66.9%	1	87.2%	99	0.5	36	-0.6	0.7
MSCI ACWI IMI (Net)	--	16.7%	54	12.3%	43	0.0%	69	0.0%	1	--	--	1.0	1.4
U.S. Large Cap Equity Composite	7.6%	23.2%	44	10.8%	33	0.0%	42	1.6%	2	0.0	45	1.0	2.1
Russell 1000	--	23.2%	43	10.8%	32	0.0%	42	0.0%	1	--	--	1.0	2.1
U.S. Small Cap Equity Composite	1.1%	18.4%	90	13.9%	66	2.2%	82	8.6%	86	-0.3	89	0.8	1.3
Russell 2000	--	21.3%	69	15.2%	83	0.0%	92	0.0%	1	--	--	1.0	1.4
Developed International Equity Composite	9.1%	14.2%	61	13.5%	39	1.7%	57	3.4%	32	0.2	61	0.9	1.0
San Jose Custom MSCI World ex US IMI Benchmark	--	13.6%	71	14.3%	76	0.0%	83	0.0%	1	--	--	1.0	0.9
Emerging Markets Equity Composite	3.7%	5.7%	84	17.5%	78	-1.4%	85	4.2%	36	-0.4	84	1.0	0.3
MSCI Emerging Markets	--	7.2%	68	17.2%	71	0.0%	72	0.0%	1	--	--	1.0	0.4
Total Fixed Income Composite	21.0%	6.7%	21	3.0%	62	3.2%	18	1.7%	4	1.2	13	0.7	2.2
Fixed Income Blended Benchmark	--	4.7%	38	3.6%	68	0.0%	71	0.0%	1	--	--	1.0	1.3
Corporate Credit Composite	4.9%	7.6%	--	4.0%	--	0.8%	--	2.6%	--	-0.7	--	0.7	1.9
Blended Domestic Credit Index	--	9.3%	--	4.4%	--	0.0%	--	0.0%	--	--	--	1.0	2.1
Opportunistic Credit Composite	5.9%	18.0%	--	8.2%	--	17.0%	--	8.8%	--	1.1	--	0.1	2.2
50% Credit Suisse Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index	--	8.6%	--	3.5%	--	0.0%	--	0.0%	--	--	--	1.0	2.4
U.S. Direct Lending	3.5%	9.2%	--	4.2%	--	57.2%	--	4.2%	--	0.9	--	-9.1	2.2
3-Month LIBOR + 5%	--	5.4%	--	0.0%	--	0.0%	--	0.0%	--	--	--	1.0	167.0
Inflation-Linked Assets Composite	9.7%	-3.9%	--	10.1%	--	-2.3%	--	2.0%	--	-1.2	--	1.1	-0.4
San Jose Custom Inflation-Linked Assets Benchmark	--	-1.5%	--	9.4%	--	0.0%	--	0.0%	--	--	--	1.0	-0.2
Commodities Composite	6.8%	-3.7%	--	10.1%	--	-1.8%	--	1.2%	--	-1.5	--	1.0	-0.4
Custom Commodity Risk Parity Index	--	-1.9%	--	10.0%	--	0.0%	--	0.0%	--	--	--	1.0	-0.2

Note: Performance shown is net of fees.

Sum of percent of totals equals 58% because illiquid assets classes and asset classes without 3 years of data not shown.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Risk Statistics

5 Years Ending September 30, 2014

	% of Tot	Anlzd Ret	Anlzd Ret Rk	Anlzd Std Dev	Anlzd Std Dev Rk	Anlzd AJ	Anlzd AJ Rk	Tracking Error	Tracking Error Rank	Info Ratio	Info Ratio Rk	Beta	Sharpe Ratio
Total Equity Composite	27.3%	10.4%	62	14.1%	30	0.0%	60	1.3%	1	-0.5	81	0.9	0.7
San Jose Custom Total Equity Benchmark	--	11.0%	55	14.9%	47	0.0%	60	0.0%	1	--	--	1.0	0.7
U.S. Large Cap Equity Composite	7.6%	15.5%	53	13.5%	41	-0.4%	53	1.4%	1	-0.3	68	1.0	1.1
Russell 1000	--	15.9%	42	13.5%	39	0.0%	45	0.0%	1	--	--	1.0	1.2
U.S. Small Cap Equity Composite	1.1%	12.9%	94	17.5%	78	0.3%	94	6.7%	36	-0.2	94	0.9	0.7
Russell 2000	--	14.3%	82	18.4%	87	0.0%	95	0.0%	1	--	--	1.0	0.8
Developed International Equity Composite	9.1%	7.9%	57	15.2%	16	2.0%	47	3.3%	33	0.4	52	0.9	0.5
San Jose Custom MSCI World ex US IMI Benchmark	--	6.5%	81	16.7%	61	0.0%	82	0.0%	1	--	--	1.0	0.4
Emerging Markets Equity Composite	3.7%	2.1%	90	18.9%	58	-2.4%	90	3.5%	25	-0.7	92	1.0	0.1
MSCI Emerging Markets	--	4.4%	68	18.5%	46	0.0%	72	0.0%	1	--	--	1.0	0.2
Total Fixed Income Composite	21.0%	7.5%	25	3.0%	58	2.5%	21	1.5%	1	0.6	9	0.8	2.5
Fixed Income Blended Benchmark	--	6.6%	31	3.6%	67	0.0%	73	0.0%	1	--	--	1.0	1.8
Corporate Credit Composite	4.9%	7.3%	--	4.3%	--	0.3%	--	2.1%	--	-0.6	--	0.8	1.7
Blended Domestic Credit Index	--	8.7%	--	4.8%	--	0.0%	--	0.0%	--	--	--	1.0	1.8
Opportunistic Credit Composite	5.9%	13.7%	--	8.7%	--	9.3%	--	8.7%	--	0.6	--	0.5	1.6
50% Credit Suisse Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index	--	8.2%	--	4.3%	--	0.0%	--	0.0%	--	--	--	1.0	1.9

Note: Performance shown is net of fees.

Sum of percent of totals equals 54.2% because illiquid assets classes and asset classes without 5 years of data not shown.

## Total Fund Performance (Net of Fees)

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Fund</b>	<b>3,241,033,418</b>	<b>100.0</b>	<b>-1.8</b>	<b>--</b>	<b>3.4</b>	<b>--</b>	<b>7.2</b>	<b>--</b>	<b>9.7</b>	<b>--</b>	<b>7.9</b>	<b>--</b>	<b>2.9</b>	<b>--</b>	<b>6.1</b>	<b>--</b>	<b>8.8</b>	<b>Mar-71</b>
Policy Benchmark <sup>1</sup>			-2.0	--	3.9	--	7.7	--	9.6	--	8.6	--	3.2	--	6.5	--	--	Mar-71
Over/Under			0.2		-0.5		-0.5		0.1		-0.7		-0.3		-0.4			
Allocation Index			-2.1	--	3.8	--	7.8	--	9.5	--	8.0	--	3.3	--	6.7	--	--	Mar-71
60% MSCI World (Gross) / 40% CITI WGBI			-2.7	--	3.1	--	7.6	--	10.7	--	7.7	--	4.0	--	6.6	--	--	Mar-71
<b>Total Equity Composite</b>	<b>883,277,902</b>	<b>27.3</b>	<b>-2.9</b>	<b>50</b>	<b>2.3</b>	<b>60</b>	<b>9.5</b>	<b>61</b>	<b>16.3</b>	<b>60</b>	<b>10.4</b>	<b>62</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5.0</b>	<b>Apr-08</b>
San Jose Custom Total Equity Benchmark <sup>2</sup>			-2.8	49	3.2	48	10.7	47	17.3	50	11.0	55	--	--	--	--	5.4	Apr-08
Over/Under			-0.1		-0.9		-1.2		-1.0		-0.6						-0.4	
eA All Global Equity Net Median			-3.0		2.9		10.2		17.3		11.3		3.2		8.4		5.4	Apr-08
<b>Global Equity Composite<sup>3</sup></b>	<b>185,164,464</b>	<b>5.7</b>	<b>-2.0</b>	<b>30</b>	<b>3.2</b>	<b>48</b>	<b>10.6</b>	<b>47</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>16.0</b>	<b>Mar-13</b>
MSCI ACWI IMI (Net)			-2.8	49	3.2	48	10.7	47	16.7	54	10.3	63	2.7	60	7.6	69	13.2	Mar-13
Over/Under			0.8		0.0		-0.1										2.8	
eA All Global Equity Net Median			-3.0		2.9		10.2		17.3		11.3		3.2		8.4		13.6	Mar-13
Artisan Global Opportunities	93,053,290	2.9	-0.8	11	3.8	41	9.9	56	--	--	--	--	--	--	--	--	12.5	May-13
MSCI ACWI IMI (Net)			-2.8	49	3.2	48	10.7	47	16.7	54	10.3	63	2.7	60	7.6	69	11.2	May-13
Over/Under			2.0		0.6		-0.8										1.3	
eA All Global Equity Net Median			-3.0		2.9		10.2		17.3		11.3		3.2		8.4		11.3	May-13
Artisan Global Value	92,092,161	2.8	-3.2	60	2.6	55	11.5	38	--	--	--	--	--	--	--	--	16.8	Mar-13
MSCI ACWI IMI (Net)			-2.8	49	3.2	48	10.7	47	16.7	54	10.3	63	2.7	60	7.6	69	13.2	Mar-13
Over/Under			-0.4		-0.6		0.8										3.6	
eA All Global Equity Net Median			-3.0		2.9		10.2		17.3		11.3		3.2		8.4		13.6	Mar-13
<b>U.S. Equity Composite<sup>4</sup></b>	<b>282,193,009</b>	<b>8.7</b>	<b>-0.3</b>	<b>36</b>	<b>6.4</b>	<b>31</b>	<b>17.7</b>	<b>26</b>	<b>24.3</b>	<b>23</b>	<b>16.1</b>	<b>34</b>	<b>6.3</b>	<b>54</b>	<b>8.3</b>	<b>67</b>	<b>9.4</b>	<b>Jun-95</b>
Russell 3000			0.0	30	7.0	26	17.8	26	23.1	34	15.8	40	6.2	56	8.4	64	9.2	Jun-95
Over/Under			-0.3		-0.6		-0.1		1.2		0.3		0.1		-0.1		0.2	
eA All US Equity Net Median			-1.7		4.0		13.5		21.8		15.3		6.5		8.9		10.6	Jun-95
NT Russell 1000 Index Fund	244,486,763	7.5	0.7	37	--	--	--	--	--	--	--	--	--	--	--	--	5.9	Apr-14
Russell 1000			0.7	40	8.0	30	19.0	33	23.2	29	15.9	31	6.3	46	8.5	52	5.8	Apr-14
Over/Under			0.0														0.1	
eA US Large Cap Equity Net Median			0.3		6.6		17.7		21.8		14.9		6.1		8.5		4.8	Apr-14
RBC Small Cap Core	37,231,500	1.1	-6.9	63	--	--	--	--	--	--	--	--	--	--	--	--	-6.9	Jul-14
Russell 2000			-7.4	72	-4.4	59	3.9	60	21.3	56	14.3	65	6.0	64	8.2	74	-7.4	Jul-14
Over/Under			0.5														0.5	
eA US Small Cap Equity Net Median			-6.3		-3.2		5.2		21.8		15.1		6.6		9.0		-6.3	Jul-14

Note: Performance shown is net of fees. Please see appendix for details regarding the footnotes.



# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>International Equity Composite<sup>1</sup></b>	<b>415,920,430</b>	<b>12.8</b>	<b>-4.9</b>	<b>34</b>	<b>-0.7</b>	<b>48</b>	<b>3.6</b>	<b>62</b>	<b>11.0</b>	<b>86</b>	<b>5.6</b>	<b>92</b>	<b>-0.5</b>	<b>84</b>	<b>6.9</b>	<b>79</b>	<b>9.0</b>	<b>Jun-95</b>
MSCI AC WORLD ex US (NET)			-5.3	44	0.0	40	4.8	53	11.8	78	6.0	84	-0.2	76	7.1	76	--	Jun-95
Over/Under			0.4		-0.7		-1.2		-0.8		-0.4		-0.3		-0.2			
eA All ACWI ex-US Equity Net Median			-5.5		-0.9		4.9		13.6		7.8		0.8		7.8		8.0	Jun-95
<b>Developed International Equity<sup>1</sup> Composite</b>	<b>294,590,250</b>	<b>9.1</b>	<b>-6.1</b>	<b>60</b>	<b>-2.8</b>	<b>73</b>	<b>2.3</b>	<b>83</b>	<b>14.2</b>	<b>61</b>	<b>7.9</b>	<b>57</b>	<b>0.5</b>	<b>58</b>	<b>7.0</b>	<b>48</b>	<b>8.3</b>	<b>Jun-95</b>
San Jose Custom MSCI World ex US IMI Benchmark			-6.1	58	-1.6	54	4.0	64	13.6	71	6.5	81	-0.2	76	6.3	78	5.2	Jun-95
Over/Under			0.0		-1.2		-1.7		0.6		1.4		0.7		0.7		3.1	
eA All EAFE Equity Net Median			-5.8		-1.3		5.5		15.0		8.2		0.9		7.0		7.0	Jun-95
NT Russell MSCI World ex US IMI Index Fund	230,862,345	7.1	-6.0	57	--	--	--	--	--	--	--	--	--	--	--	--	-1.7	Apr-14
MSCI World ex US IMI			-6.1	58	-0.8	42	4.7	57	13.2	76	6.8	78	0.1	67	6.8	58	-1.9	Apr-14
Over/Under			0.1														0.2	
eA All EAFE Equity Net Median			-5.8		-1.3		5.5		15.0		8.2		0.9		7.0		-2.2	Apr-14
Oberweis	61,227,606	1.9	-6.6	55	--	--	--	--	--	--	--	--	--	--	--	--	-6.5	Mar-14
MSCI World ex US Small Cap Growth (Net)			-7.8	67	-2.2	86	2.9	91	12.1	99	9.4	94	1.2	90	7.9	99	-5.8	Mar-14
Over/Under			1.2														-0.7	
eA EAFE Small Cap Growth Net Median			-6.4		-1.3		7.9		18.0		11.4		2.4		11.2		-5.8	Mar-14
<b>Emerging Markets Equity Composite</b>	<b>121,330,179</b>	<b>3.7</b>	<b>-1.6</b>	<b>22</b>	<b>5.0</b>	<b>30</b>	<b>7.5</b>	<b>30</b>	<b>5.7</b>	<b>84</b>	<b>2.1</b>	<b>90</b>	<b>-1.3</b>	<b>82</b>	<b>8.7</b>	<b>98</b>	<b>11.6</b>	<b>Sep-01</b>
MSCI Emerging Markets			-3.5	55	2.4	56	4.3	66	7.2	68	4.4	68	-0.2	67	10.7	73	12.4	Sep-01
Over/Under			1.9		2.6		3.2		-1.5		-2.3		-1.1		-2.0		-0.8	
eA Emg Mkts Equity Net Median			-3.2		2.8		5.8		8.8		5.9		0.7		11.7		14.0	Sep-01
Russell Emerging Markets	34,266,393	1.1	-3.9	68	0.4	80	3.8	71	--	--	--	--	--	--	--	--	1.1	Nov-11
MSCI Emerging Markets			-3.5	55	2.4	56	4.3	66	7.2	68	4.4	68	-0.2	67	10.7	73	2.9	Nov-11
Over/Under			-0.4		-2.0		-0.5										-1.8	
eA Emg Mkts Equity Net Median			-3.2		2.8		5.8		8.8		5.9		0.7		11.7		5.2	Nov-11
Vontobel	64,515,014	2.0	-1.1	16	8.5	11	8.7	21	--	--	--	--	--	--	--	--	6.0	Jul-13
MSCI Emerging Markets			-3.5	55	2.4	56	4.3	66	7.2	68	4.4	68	-0.2	67	10.7	73	8.2	Jul-13
Over/Under			2.4		6.1		4.4										-2.2	
eA Emg Mkts Equity Net Median			-3.2		2.8		5.8		8.8		5.9		0.7		11.7		8.2	Jul-13
Aberdeen	22,548,772	0.7	0.4	8	5.1	29	11.3	12	--	--	--	--	--	--	--	--	13.0	Jul-13
MSCI Frontier Markets			1.5	3	22.0	1	30.0	1	17.9	1	8.7	11	-0.9	77	8.1	99	29.6	Jul-13
Over/Under			-1.1		-16.9		-18.7										-16.6	
eA Emg Mkts Equity Net Median			-3.2		2.8		5.8		8.8		5.9		0.7		11.7		8.2	Jul-13

Note: Performance shown is net of fees. Please see appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Private Equity Composite<sup>1</sup></b>	<b>274,431,422</b>	<b>8.5</b>	<b>0.0</b>	--	<b>8.3</b>	--	<b>15.0</b>	--	<b>11.9</b>	--	<b>13.3</b>	--	<b>9.1</b>	--	--	--	<b>9.3</b>	<b>Oct-05</b>
<i>San Jose Custom Total Private Equity Index<sup>2</sup></i>			<u>1.8</u>	--	<u>12.9</u>	--	<u>19.2</u>	--	--	--	--	--	--	--	--	--	--	<i>Oct-05</i>
<i>Over/Under</i>			-1.8		-4.6		-4.2											
<i>San Jose Custom Blended Private Equity Benchmark</i>			0.0	--	10.3	--	15.3	--	11.9	--	10.0	--	6.7	--	13.5	--	11.5	<i>Oct-05</i>
<i>Russell 3000 Qtr Lag</i>			4.9	--	17.7	--	25.2	--	16.5	--	19.3	--	6.5	--	8.2	--	8.2	<i>Oct-05</i>
<b>Total Private Equity ex Russell R3000</b>	<b>149,525,921</b>	<b>4.6</b>	<b>0.0</b>	--	<b>9.2</b>	--	<b>12.9</b>	--	<b>9.6</b>	--	<b>11.9</b>	--	<b>8.1</b>	--	--	--	<b>8.6</b>	<b>Oct-05</b>
<i>San Jose Custom Private Equity<sup>3</sup> Benchmark</i>			<u>0.0</u>	--	<u>9.9</u>	--	<u>15.4</u>	--	<u>12.7</u>	--	<u>16.3</u>	--	<u>8.3</u>	--	<u>14.5</u>	--	<u>12.9</u>	<i>Oct-05</i>
<i>Over/Under</i>			0.0		-0.7		-2.5		-3.1		-4.4		-0.2				-4.3	
<i>San Jose Custom Blended Private Equity Benchmark</i>			0.0	--	10.3	--	15.3	--	11.9	--	10.0	--	6.7	--	13.5	--	11.5	<i>Oct-05</i>

Note: Performance shown is net of fees. Please see appendix for details regarding the footnotes.



NEPC, LLC

September 30, 2014

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Fixed Income Composite<sup>1</sup></b>	<b>681,039,843</b>	<b>21.0</b>	<b>-0.4</b>	<b>80</b>	<b>4.0</b>	<b>39</b>	<b>6.1</b>	<b>29</b>	<b>6.7</b>	<b>21</b>	<b>7.5</b>	<b>25</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7.6</b>	<b>Apr-08</b>
Fixed Income Blended Benchmark			-2.2	96	2.8	61	4.3	45	4.7	38	6.6	31	6.7	24	5.9	24	6.4	Apr-08
Over/Under			1.8		1.2		1.8		2.0		0.9						1.2	
Barclays Aggregate			0.2	30	4.1	36	4.0	51	2.4	67	4.1	59	4.9	53	4.6	51	4.5	Apr-08
eA All US Fixed Inc Net Median			0.0		3.5		4.0		3.3		4.6		5.0		4.7		4.8	Apr-08
<b>Global Fixed Income Composite</b>	<b>163,013,830</b>	<b>5.0</b>	<b>-2.0</b>	<b>35</b>	<b>2.5</b>	<b>57</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2.5</b>	<b>Dec-13</b>
Barclays Global Aggregate			-3.1	81	1.6	85	1.2	92	1.2	91	2.7	89	4.2	83	4.4	81	1.6	Dec-13
Over/Under			1.1		0.9												0.9	
eA Global Agg Fixed Inc Net Median			-2.7		3.0		3.4		2.5		3.6		5.1		5.1		3.0	Dec-13
Colchester	92,051,278	2.8	-2.9	65	2.5	56	--	--	--	--	--	--	--	--	--	--	2.5	Jan-14
Barclays Global Aggregate			-3.1	81	1.6	85	1.2	92	1.2	91	2.7	89	4.2	83	4.4	81	1.6	Jan-14
Over/Under			0.2		0.9												0.9	
eA Global Agg Fixed Inc Net Median			-2.7		3.0		3.4		2.5		3.6		5.1		5.1		3.0	Jan-14
Franklin Templeton	70,962,552	2.2	-0.9	25	2.5	57	--	--	--	--	--	--	--	--	--	--	2.5	Jan-14
Barclays Global Aggregate			-3.1	81	1.6	85	1.2	92	1.2	91	2.7	89	4.2	83	4.4	81	1.6	Jan-14
Over/Under			2.2		0.9												0.9	
eA Global Agg Fixed Inc Net Median			-2.7		3.0		3.4		2.5		3.6		5.1		5.1		3.0	Jan-14
<b>Total Credit Composite<sup>2,3</sup></b>	<b>350,197,222</b>	<b>10.8</b>	<b>1.2</b>	<b>--</b>	<b>5.1</b>	<b>--</b>	<b>8.7</b>	<b>--</b>	<b>15.1</b>	<b>--</b>	<b>11.7</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10.5</b>	<b>Jul-08</b>
50% Credit Suisse Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			-1.0	--	3.2	--	5.8	--	8.6	--	8.2	--	6.3	--	6.2	--	7.3	Jul-08
Over/Under			2.2		1.9		2.9		6.5		3.5						3.2	
<b>Corporate Credit Composite<sup>3</sup></b>	<b>158,193,450</b>	<b>4.9</b>	<b>0.1</b>	<b>--</b>	<b>3.9</b>	<b>--</b>	<b>7.4</b>	<b>--</b>	<b>7.6</b>	<b>--</b>	<b>7.3</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8.7</b>	<b>Apr-09</b>
Blended Domestic Credit Index <sup>4</sup>			-1.9	--	3.5	--	7.2	--	9.3	--	8.7	--	6.6	--	6.4	--	13.2	Apr-09
Over/Under			2.0		0.4		0.2		-1.7		-1.4						-4.5	
Beach Point	79,771,022	2.5	-0.9	5	3.0	71	6.4	70	--	--	--	--	--	--	--	--	6.4	Oct-13
Barclays High Yield			-1.9	48	3.5	44	7.2	33	11.1	31	10.6	29	8.7	20	8.3	21	7.2	Oct-13
Over/Under			1.0		-0.5		-0.8										-0.8	
eA US High Yield Fixed Inc Net Median			-1.9		3.3		6.9		10.5		10.1		7.8		7.7		6.9	Oct-13
Symphony	78,417,643	2.4	1.1	1	--	--	--	--	--	--	--	--	--	--	--	--	4.6	Feb-14
Barclays High Yield			-1.9	48	3.5	44	7.2	33	11.1	31	10.6	29	8.7	20	8.3	21	2.8	Feb-14
Over/Under			3.0														1.8	
eA US High Yield Fixed Inc Net Median			-1.9		3.3		6.9		10.5		10.1		7.8		7.7		2.7	Feb-14

Note: Performance shown is net of fees. Please see appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Opportunistic Credit Composite<sup>1</sup></b>	<b>192,003,772</b>	<b>5.9</b>	<b>2.1</b>	--	<b>5.9</b>	--	<b>9.7</b>	--	<b>18.0</b>	--	<b>13.7</b>	--	--	--	--	--	<b>14.3</b>	<b>Jul-08</b>
50% Credit Suisse Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>-1.0</u>	--	<u>3.2</u>	--	<u>5.8</u>	--	<u>8.6</u>	--	<u>8.2</u>	--	<u>6.3</u>	--	<u>6.2</u>	--	<u>7.3</u>	Jul-08
Over/Under			3.1		2.7		3.9		9.4		5.5						7.0	
Marathon	22,110,171	0.7	0.3	--	4.1	--	7.7	--	--	--	--	--	--	--	--	--	9.9	Oct-12
BofA ML Euro HY Constrained			<u>-8.4</u>	--	<u>-4.1</u>	--	<u>1.4</u>	--	<u>12.9</u>	--	<u>8.1</u>	--	<u>7.6</u>	--	<u>8.9</u>	--	<u>9.7</u>	Oct-12
Over/Under			8.7		8.2		6.3										0.2	
<b>Direct Lending Composite</b>	<b>169,893,601</b>	<b>5.2</b>	<b>2.5</b>	--	<b>4.9</b>	--	<b>7.8</b>	--	<b>9.2</b>	--	--	--	--	--	--	--	<b>7.3</b>	<b>Nov-10</b>
3-Month LIBOR + 5%			<u>1.3</u>	--	<u>3.9</u>	--	<u>5.3</u>	--	<u>5.4</u>	--	<u>5.3</u>	--	<u>5.9</u>	--	<u>7.1</u>	--	<u>5.3</u>	Nov-10
Over/Under			1.2		1.0		2.5		3.8								2.0	
<b>U.S. Direct Lending</b>	<b>114,262,322</b>	<b>3.5</b>	<b>3.2</b>	--	<b>5.0</b>	--	<b>7.8</b>	--	<b>9.2</b>	--	--	--	--	--	--	--	<b>7.3</b>	<b>Nov-10</b>
3-Month LIBOR + 5%			<u>1.3</u>	--	<u>3.9</u>	--	<u>5.3</u>	--	<u>5.4</u>	--	<u>5.3</u>	--	<u>5.9</u>	--	<u>7.1</u>	--	<u>5.3</u>	Nov-10
Over/Under			1.9		1.1		2.5		3.8								2.0	
GSO	23,955,728	0.7	5.0	--	6.3	--	9.0	--	16.4	--	--	--	--	--	--	--	15.5	Dec-10
3-Month LIBOR + 5%			<u>1.3</u>	--	<u>3.9</u>	--	<u>5.3</u>	--	<u>5.4</u>	--	<u>5.3</u>	--	<u>5.9</u>	--	<u>7.1</u>	--	<u>5.3</u>	Dec-10
Over/Under			3.7		2.4		3.7		11.0								10.2	
Medley Capital	48,767,515	1.5	3.0	--	7.7	--	9.8	--	9.6	--	--	--	--	--	--	--	7.6	Mar-11
3-Month LIBOR + 5%			<u>1.3</u>	--	<u>3.9</u>	--	<u>5.3</u>	--	<u>5.4</u>	--	<u>5.3</u>	--	<u>5.9</u>	--	<u>7.1</u>	--	<u>5.3</u>	Mar-11
Over/Under			1.7		3.8		4.5		4.2								2.3	
White Oak	41,539,079	1.3	2.2	--	1.6	--	5.0	--	5.4	--	--	--	--	--	--	--	4.4	Nov-10
3-Month LIBOR + 5%			<u>1.3</u>	--	<u>3.9</u>	--	<u>5.3</u>	--	<u>5.4</u>	--	<u>5.3</u>	--	<u>5.9</u>	--	<u>7.1</u>	--	<u>5.3</u>	Nov-10
Over/Under			0.9		<b>-2.3</b>		<b>-0.3</b>		0.0								<b>-0.9</b>	
<b>European Direct Lending</b>	<b>55,631,278</b>	<b>1.7</b>	<b>0.9</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	<b>3.9</b>	<b>Apr-14</b>
3-Month LIBOR + 5%			<u>1.3</u>	--	<u>3.9</u>	--	<u>5.3</u>	--	<u>5.4</u>	--	<u>5.3</u>	--	<u>5.9</u>	--	<u>7.1</u>	--	<u>2.6</u>	Apr-14
Over/Under			<b>-0.4</b>														1.3	
Capula <sup>2</sup>	55,631,278	1.7	0.9	--	--	--	--	--	--	--	--	--	--	--	--	--	3.9	Apr-14
3-Month LIBOR + 5%			<u>1.3</u>	--	<u>3.9</u>	--	<u>5.3</u>	--	<u>5.4</u>	--	<u>5.3</u>	--	<u>5.9</u>	--	<u>7.1</u>	--	<u>2.6</u>	Apr-14
Over/Under			<b>-0.4</b>														1.3	

Note: Performance shown is net of fees. Please see appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Emerging Market Debt Composite</b>	<b>167,827,412</b>	<b>5.2</b>	<b>-2.1</b>	<b>42</b>	<b>2.8</b>	<b>68</b>	<b>2.5</b>	<b>66</b>	--	--	--	--	--	--	--	--	<b>-4.5</b>	<b>Jan-13</b>
San Jose Custom EMD Benchmark <sup>1</sup>			<u>-3.1</u>	53	<u>3.5</u>	59	<u>3.5</u>	60	--	--	--	--	--	--	--	--	<u>-3.3</u>	Jan-13
Over/Under			1.0		-0.7		-1.0										-1.2	
eA All Emg Mkts Fixed Inc Net Median			-2.7		5.2		6.0		6.6		7.3		7.0		9.0		-1.0	Jan-13
BlueBay	114,274,734	3.5	-3.5	55	2.2	72	1.8	69	--	--	--	--	--	--	--	--	1.0	Aug-13
JP Morgan Blended EMD Benchmark <sup>2</sup>			<u>-3.1</u>	53	<u>3.5</u>	59	<u>3.5</u>	60	--	--	--	--	--	--	--	--	<u>3.2</u>	Aug-13
Over/Under			-0.4		-1.3		-1.7										-2.2	
eA All Emg Mkts Fixed Inc Net Median			-2.7		5.2		6.0		6.6		7.3		7.0		9.0		5.0	Aug-13
Iguazu	53,552,678	1.7	0.8	1	--	--	--	--	--	--	--	--	--	--	--	--	7.1	Feb-14
JP Morgan Blended EMD Benchmark <sup>2</sup>			<u>-3.1</u>	53	<u>3.5</u>	59	<u>3.5</u>	60	--	--	--	--	--	--	--	--	<u>6.0</u>	Feb-14
Over/Under			3.9														1.1	
eA All Emg Mkts Fixed Inc Net Median			-2.7		5.2		6.0		6.6		7.3		7.0		9.0		6.7	Feb-14

Note: Performance shown is net of fees. Please see appendix for details regarding the footnotes.



NEPC, LLC

September 30, 2014

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Real Estate Composite<sup>1</sup></b>	<b>228,937,525</b>	<b>7.1</b>	<b>-0.1</b>	--	<b>5.7</b>	--	<b>8.8</b>	--	<b>10.1</b>	--	<b>9.1</b>	--	<b>4.4</b>	--	<b>7.5</b>	--	<b>8.0</b>	<b>Jun-95</b>
San Jose Custom Total Real Estate BM <sup>2</sup>			<u>-1.2</u>	--	<u>4.5</u>	--	<u>8.6</u>	--	--	--	--	--	--	--	--	--	--	Jun-95
Over/Under			1.1		1.2		0.2											
<b>Total Real Estate Ex Russell Real Estate</b>	<b>168,729,125</b>	<b>5.2</b>	<b>0.0</b>	--	<b>6.3</b>	--	<b>9.1</b>	--	--	--	--	--	--	--	--	--	<b>11.4</b>	<b>Dec-12</b>
San Jose Custom Real Estate Benchmark <sup>3</sup>			<u>0.0</u>	--	<u>5.8</u>	--	<u>9.5</u>	--	<u>11.4</u>	--	<u>9.4</u>	--	<u>2.3</u>	--	<u>6.8</u>	--	<u>11.9</u>	Dec-12
Over/Under			0.0		0.5		-0.4										-0.5	
<b>Inflation-Linked Assets Composite</b>	<b>314,766,171</b>	<b>9.7</b>	<b>-7.2</b>	--	<b>2.1</b>	--	<b>1.4</b>	--	<b>-3.9</b>	--	--	--	--	--	--	--	<b>-6.3</b>	<b>Apr-11</b>
San Jose Custom Inflation-Linked Assets <sup>4</sup>			<u>-4.7</u>	--	<u>4.4</u>	--	<u>3.3</u>	--	<u>-1.5</u>	--	--	--	--	--	--	--	<u>-4.5</u>	Apr-11
Benchmark																		
Over/Under			-2.5		-2.3		-1.9		-2.4								-1.8	
<b>Multi-Asset Inflation-Linked Assets Composite</b>	<b>93,056,437</b>	<b>2.9</b>	<b>-8.1</b>	--	<b>-0.3</b>	--	--	--	--	--	--	--	--	--	--	--	<b>0.0</b>	<b>Nov-13</b>
CPI + 5% (Unadjusted)			<u>1.1</u>	--	<u>5.9</u>	--	<u>6.7</u>	--	<u>6.7</u>	--	<u>7.1</u>	--	<u>7.0</u>	--	<u>7.4</u>	--	<u>6.6</u>	Nov-13
Over/Under			-9.2		-6.2												-6.6	
Wellington	93,056,437	2.9	-8.1	--	-0.3	--	--	--	--	--	--	--	--	--	--	--	0.0	Nov-13
CPI + 5% (Unadjusted)			<u>1.1</u>	--	<u>5.9</u>	--	<u>6.7</u>	--	<u>6.7</u>	--	<u>7.1</u>	--	<u>7.0</u>	--	<u>7.4</u>	--	<u>6.6</u>	Nov-13
Over/Under			-9.2		-6.2												-6.6	
<b>Commodities Composite</b>	<b>221,709,734</b>	<b>6.8</b>	<b>-6.8</b>	--	<b>3.1</b>	--	<b>2.0</b>	--	<b>-3.7</b>	--	--	--	--	--	--	--	<b>-6.1</b>	<b>Apr-11</b>
Custom Commodity Risk Parity Index			<u>-7.1</u>	--	<u>3.6</u>	--	<u>2.0</u>	--	<u>-1.9</u>	--	--	--	--	--	--	--	<u>-4.9</u>	Apr-11
Over/Under			0.3		-0.5		0.0		-1.8								-1.2	
Bloomberg Commodity Index			-11.8	--	-5.6	--	-6.6	--	-5.3	--	-1.4	--	-5.2	--	-1.0	--	-9.6	Apr-11
Credit Suisse	221,709,734	6.8	-6.8	--	3.1	--	1.9	--	-1.9	--	--	--	--	--	--	--	-4.8	Apr-11
Custom Commodity Risk Parity Index			<u>-7.1</u>	--	<u>3.6</u>	--	<u>2.0</u>	--	<u>-1.9</u>	--	--	--	--	--	--	--	<u>-4.9</u>	Apr-11
Over/Under			0.3		-0.5		-0.1		0.0								0.1	
Bloomberg Commodity Index			-11.8	--	-5.6	--	-6.6	--	-5.3	--	-1.4	--	-5.2	--	-1.0	--	-9.6	Apr-11

Note: Performance shown is net of fees. Please see appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Hedge Fund Composite</b>	<b>333,563,305</b>	<b>10.3</b>	<b>0.3</b>	--	<b>2.3</b>	--	<b>4.4</b>	--	--	--	--	--	--	--	--	--	<b>3.1</b>	<b>Nov-12</b>
San Jose Custom Hedge Fund Benchmark <sup>1</sup>			<u>0.0</u>	--	<u>2.0</u>	--	<u>4.9</u>	--	--	--	--	--	--	--	--	--	<u>4.2</u>	Nov-12
Over/Under			0.3		0.3		-0.5										-1.1	
HFRI.FOF.Comp			0.3	--	2.4	--	6.2	--	5.2	--	3.4	--	0.6	--	3.4	--	6.8	Nov-12
Russell Hedge Funds	101,090,897	3.1	-0.7	--	0.8	--	1.8	--	--	--	--	--	--	--	--	--	2.2	Dec-12
Russell Hedge Index <sup>2</sup>			<u>-0.8</u>	--	<u>0.9</u>	--	<u>1.9</u>	--	<u>2.7</u>	--	<u>2.1</u>	--	<u>1.5</u>	--	<u>3.0</u>	--	<u>2.2</u>	Dec-12
Over/Under			0.1		-0.1		-0.1										0.0	
<b>Total Hedge Fund Composite ex-Interim</b>	<b>232,472,408</b>	<b>7.2</b>	<b>0.8</b>	--	<b>3.0</b>	--	<b>5.5</b>	--	--	--	--	--	--	--	--	--	<b>5.4</b>	<b>Nov-12</b>
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>6.8</u>	Nov-12
Over/Under			0.5		0.6		-0.7										-1.4	
Amici	9,974,782	0.3	-4.8	--	-2.4	--	1.5	--	--	--	--	--	--	--	--	--	-0.2	Mar-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>5.6</u>	Mar-13
Over/Under			-5.1		-4.8		-4.7										-5.8	
Arrowgrass	22,502,582	0.7	-1.6	--	1.3	--	3.5	--	--	--	--	--	--	--	--	--	6.3	Nov-12
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>6.8</u>	Nov-12
Over/Under			-1.9		-1.1		-2.7										-0.5	
BlueTrend	8,929,283	0.3	-0.1	--	6.0	--	6.9	--	--	--	--	--	--	--	--	--	-7.3	Apr-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>5.3</u>	Apr-13
Over/Under			-0.4		3.6		0.7										-12.6	
Brevan Howard	20,794,017	0.6	2.2	--	1.2	--	2.7	--	--	--	--	--	--	--	--	--	2.1	Dec-12
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>6.9</u>	Dec-12
Over/Under			1.9		-1.2		-3.5										-4.8	
Claren Road	29,569,773	0.9	-1.8	--	0.7	--	2.0	--	--	--	--	--	--	--	--	--	-0.5	Jul-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>6.3</u>	Jul-13
Over/Under			-2.1		-1.7		-4.2										-6.8	
Davidson Kempner	22,882,008	0.7	0.0	--	5.9	--	7.8	--	--	--	--	--	--	--	--	--	8.4	Feb-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>5.5</u>	Feb-13
Over/Under			-0.3		3.5		1.6										2.9	
DE Shaw	24,423,772	0.8	3.4	--	13.4	--	16.5	--	--	--	--	--	--	--	--	--	14.2	Apr-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>5.3</u>	Apr-13
Over/Under			3.1		11.0		10.3										8.9	

Note: Performance of Total Hedge Fund Composite, underlying sub-composites and underlying investment managers is reported net of fees. Please see appendix for additional details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Horizon	11,317,941	0.3	3.0	--	6.8	--	10.3	--	--	--	--	--	--	--	--	--	10.4	Jul-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>6.3</u>	Jul-13
Over/Under			2.7		4.4		4.1										4.1	
Hudson Bay	21,148,819	0.7	-0.2	--	1.5	--	5.7	--	--	--	--	--	--	--	--	--	4.6	Jul-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>6.3</u>	Jul-13
Over/Under			-0.5		-0.9		-0.5										-1.7	
Kepos	5,264,853	0.2	11.4	--	11.9	--	13.2	--	--	--	--	--	--	--	--	--	3.3	Mar-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>5.6</u>	Mar-13
Over/Under			11.1		9.5		7.0										-2.3	
Marshall Wace	10,340,684	0.3	2.9	--	--	--	--	--	--	--	--	--	--	--	--	--	3.4	Apr-14
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>1.9</u>	Apr-14
Over/Under			2.6														1.5	
Pine River	22,947,486	0.7	2.6	--	4.2	--	4.7	--	--	--	--	--	--	--	--	--	8.2	Jan-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>6.5</u>	Jan-13
Over/Under			2.3		1.8		-1.5										1.7	
Sandler	10,359,624	0.3	2.0	--	-2.2	--	0.7	--	--	--	--	--	--	--	--	--	2.5	May-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>5.0</u>	May-13
Over/Under			1.7		-4.6		-5.5										-2.5	
Senator	12,016,784	0.4	0.4	--	4.1	--	10.9	--	--	--	--	--	--	--	--	--	13.0	Apr-13
HFRI.FOF.Comp			<u>0.3</u>	--	<u>2.4</u>	--	<u>6.2</u>	--	<u>5.2</u>	--	<u>3.4</u>	--	<u>0.6</u>	--	<u>3.4</u>	--	<u>5.3</u>	Apr-13
Over/Under			0.1		1.7		4.7										7.7	

Note: Performance of Total Hedge Fund Composite, underlying sub-composites and underlying investment managers is reported net of fees. Please see appendix for additional details regarding the footnotes.



# City of San Jose Police and Fire Department Retirement Plan

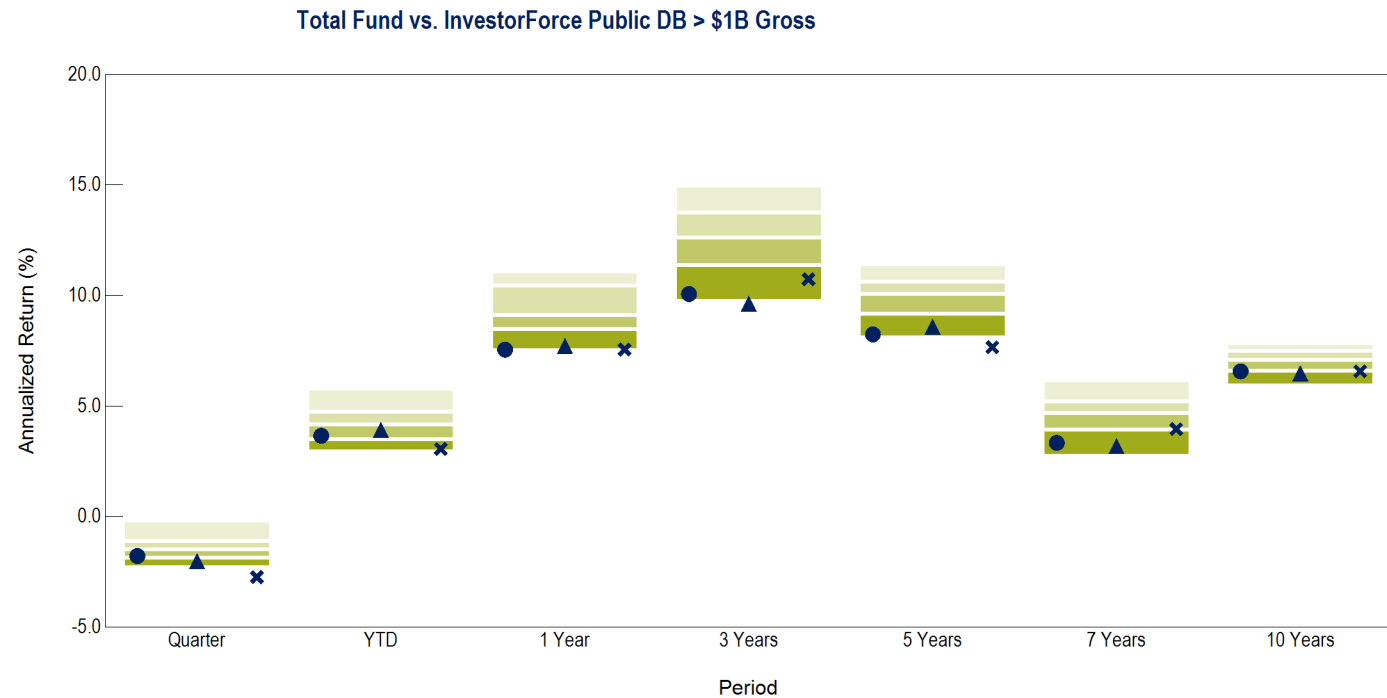
## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total GAA Composite</b>	<b>336,651,931</b>	<b>10.4</b>	<b>-1.3</b>	--	<b>2.7</b>	--	<b>4.9</b>	--	--	--	--	--	--	--	--	--	<b>4.5</b>	<b>Jan-13</b>
60% MSCI World (Net) / 40% CITI WGBI			<u>-2.8</u>	--	<u>2.8</u>	--	<u>7.2</u>	--	<u>10.4</u>	--	<u>7.3</u>	--	<u>3.6</u>	--	<u>6.2</u>	--	<u>9.2</u>	Jan-13
Over/Under			1.5		-0.1		-2.3										-4.7	
GMO	128,453,210	4.0	-2.5	--	2.0	--	5.6	--	--	--	--	--	--	--	--	--	6.2	Feb-13
60% MSCI World (Net) / 40% CITI WGBI			<u>-2.8</u>	--	<u>2.8</u>	--	<u>7.2</u>	--	<u>10.4</u>	--	<u>7.3</u>	--	<u>3.6</u>	--	<u>6.2</u>	--	<u>8.1</u>	Feb-13
Over/Under			0.3		-0.8		-1.6										-1.9	
PIMCO	99,734,307	3.1	-3.9	--	2.2	--	1.3	--	--	--	--	--	--	--	--	--	-2.2	Feb-13
60% MSCI World (Net) / 40% CITI WGBI			<u>-2.8</u>	--	<u>2.8</u>	--	<u>7.2</u>	--	<u>10.4</u>	--	<u>7.3</u>	--	<u>3.6</u>	--	<u>6.2</u>	--	<u>8.1</u>	Feb-13
Over/Under			-1.1		-0.6		-5.9										-10.3	
Standard Life	108,464,414	3.3	2.6	--	3.9	--	7.7	--	--	--	--	--	--	--	--	--	5.6	Feb-13
60% MSCI World (Net) / 40% CITI WGBI			<u>-2.8</u>	--	<u>2.8</u>	--	<u>7.2</u>	--	<u>10.4</u>	--	<u>7.3</u>	--	<u>3.6</u>	--	<u>6.2</u>	--	<u>8.1</u>	Feb-13
Over/Under			5.4		1.1		0.5										-2.5	
<b>Cash<sup>1</sup></b>																		
Cash	97,692,592	3.0	0.0	--	0.0	--	0.0	--	0.1	--	0.7	--	--	--	--	--	1.0	Apr-08
91 Day T-Bills			<u>0.0</u>	--	<u>0.0</u>	--	<u>0.0</u>	--	<u>0.0</u>	--	<u>0.1</u>	--	<u>0.4</u>	--	<u>1.5</u>	--	<u>0.2</u>	Apr-08
Over/Under			0.0		0.0		0.0		0.1		0.6						0.8	

Note: Performance of Total GAA Composite and underlying investment managers is reported net of fees. Please see appendix for additional details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Return Summary vs. Peer Universe



		Return (Rank)													
5th Percentile		-0.2		5.8		11.1		15.0		11.4		6.1		7.8	
25th Percentile		-1.1		4.8		10.5		13.8		10.6		5.2		7.5	
Median		-1.5		4.2		9.1		12.6		10.1		4.7		7.1	
75th Percentile		-1.8		3.5		8.5		11.4		9.2		4.0		6.6	
95th Percentile		-2.3		3.0		7.5		9.8		8.1		2.7		5.9	
# of Portfolios		57		57		57		56		56		54		53	
●	Total Fund	-1.8	(70)	3.7	(71)	7.5	(95)	10.1	(93)	8.2	(93)	3.3	(91)	6.6	(81)
▲	Policy Benchmark	-2.0	(88)	3.9	(64)	7.7	(89)	9.6	(96)	8.6	(87)	3.2	(93)	6.5	(87)
×	60% MSCI World (Gross) / 40% CITI WGBI	-2.7	(99)	3.1	(93)	7.6	(94)	10.7	(83)	7.7	(97)	4.0	(75)	6.6	(81)

# Manager Due Diligence

## City of San Jose Police and Fire Department Retirement Plan

### Due Diligence Monitor

The items below summarize the recent quarter's performance and any changes or announcements from the Plan's managers/products. A "-" indicates there were no material announcements. A "Yes" indicates there was an announcement and a brief summary is provided on the following pages. NEPC's Due Diligence Committee meets every two weeks to review events as they relate to investment managers and determine if any action should be taken (by NEPC and/or by our clients). Events are rated: No Action, Watch, Hold, Client Review or Terminate. NEPC's recommendation in view of the recent quarter's developments (performance, manager events, and any of the longer-term trending data) is refreshed quarterly.

Investment Options	Performance (Recent Quarter)	Changes/ Announcements (Recent Quarter)	NEPC Due Diligence Committee Recommendations	Plan Recommendation	Comments
<b>Russell Overlay</b>	N/A	Yes	Watch	No Action	
<b>Artisan Global Opps</b>	Top Quartile	Yes	No Action	-	
<b>Artisan Global Value</b>	-	Yes	No Action	-	
<b>NT Russell 1000 Index</b>	-	-	-	-	Funded 4/2014
<b>RBC Small Cap</b>	-	-	-	-	Funded 7/2014
<b>NT MSCI World ex-U.S. Index</b>	-	-	-	-	Funded 4/2014
<b>Oberweis International Opportunities</b>	-	-	-	-	Funded 2/2014
<b>MSCI Emerging Markets ETF (ticker: EEM)</b>	Bottom Quartile	-	-	-	
<b>Vontobel Emerging Markets Equity</b>	Top Quartile	-	-	-	
<b>Aberdeen Frontier Markets Equity</b>	Top Decile	Yes	No Action	No Action	
<b>NT Russell 3000 Index Fund</b>	-	-	-	-	Funded 4/2014
<b>57 Stars Global Opportunity Fund 3</b>	N/A	-	-	-	Funded 1/2014
<b>Crescent Mezzanine Partners (Fund V; Fund VI)</b>	N/A	-	-	-	
<b>HarbourVest Partners (Fund VII - 2005 Buyout; VIII Venture; VIII Buyout)</b>	N/A	-	-	-	
<b>Pantheon USA Fund VI</b>	N/A	-	-	-	
<b>Portfolio Advisors Private Equity Fund III (A - Buyout; B - Venture; C - Special Sits)</b>	N/A	-	-	-	
<b>Siguler Guff Distressed Opportunities Fund III</b>	N/A	-	-	-	
<b>TPG Opportunities Partners (Fund II; Fund III)</b>	N/A	-	-	-	Fund III Funded 2/2014
<b>Warburg Pincus Private Equity XI</b>	N/A	-	-	-	



## City of San Jose Police and Fire Department Retirement Plan

## Due Diligence Monitor Continued

Investment Options	Performance (Recent Quarter)	Changes/ Announcements (Recent Quarter)	NEPC Due Diligence Committee Recommendations	Plan Recommendation	Comments
<b>Colchester Global Fixed Income</b>	-	Yes	No Action	No Action	
<b>Franklin Templeton Global Multi-Sector Plus</b>	Top Quartile	Yes	No Action	No Action	
<b>Beach Point Total Return Fund</b>	Top Decile	-	-	-	
<b>Symphony L/S Credit Fund</b>	Top Decile	Yes	No Action	No Action	
<b>PIMCO DiSCO II</b>	N/A	Yes	Watch	No Action	Liquidate
<b>Marathon European Credit Opportunity Fund</b>	N/A	-	-	-	
<b>GSO Direct Lending Fund</b>	N/A	-	-	-	
<b>Medley Opportunity Fund II</b>	N/A	-	-	-	
<b>White Oak Direct Lending Fund</b>	N/A	-	-	-	
<b>Capula European Special Situations Fund</b>	N/A	-	-	-	Funded 3/2014
<b>Park Square Credit Opportunities Fund II</b>	N/A	-	-	-	
<b>BlueBay Emerging Market Select Debt</b>	-	-	-	-	
<b>Iguazu Partners</b>	Top Decile	-	-	-	Strategy is closed to new investors; Funded 2/2014
<b>Credit Suisse Risk Parity Commodity Fund</b>	N/A	-	-	-	
<b>Wellington Diversified Inflation Hedges</b>	N/A	-	-	-	
<b>Russell Real Estate</b>	N/A	Yes	Watch	No Action	Interim Real Estate Exposure
<b>American Realty Separate Account</b>	N/A	-	-	-	
<b>American Realty Core Fund</b>	N/A	-	-	-	
<b>Blackstone Real Estate Debt Strategies II</b>	N/A	-	-	-	
<b>Brookfield Strategic Real Estate Partners</b>	N/A	-	-	-	
<b>Orion European Real Estate Fund IV</b>	N/A	-	-	-	Funded 3/2014
<b>TA Realty Fund X</b>	N/A	-	-	-	
<b>Tristan EPISO 3</b>	N/A	-	-	-	



NEPC, LLC

September 30, 2014

## Due Diligence Monitor Continued

Investment Options	Performance (Recent Quarter)	Changes/ Announcements (Recent Quarter)	NEPC Due Diligence Committee Recommendations	Plan Recommendation	Comments
<b>Och-Ziff Real Estate Fund III</b>	N/A	-	-	-	Funded 7/2014
<b>Russell Hedge Funds</b>	N/A	Yes	Watch	No Action	Interim Hedge Fund Exposure
<b>GMO Benchmark-Free Allocation</b>	N/A	Yes	No Action	No Action	
<b>PIMCO All Asset All Authority</b>	N/A	Yes	Client Review	Client Review	
<b>Standard Life Global Absolute Return Strategy (GTAA)</b>	N/A	Yes	-	No Action	Watch Status Removed
<b>Industry Ventures III</b>	N/A	-	-	-	Funded 9/2014
<b>CCMP Capital Investors III</b>	N/A	-	-	-	Funded 8/2014

*Note: Hedge Funds are excluded from the Due Diligence Monitor as NEPC does not provide the Plan with hedge fund advisory services.*

NEPC Due Diligence Committee Recommendation Key	
<b>No Action</b>	Informational items have surfaced; no action is recommended.
<b>Watch</b>	Issues have surfaced to be concerned over; manager can participate in future searches, but current and prospective clients must be made aware of the issues.
<b>Hold</b>	Serious issues have surfaced to be concerned over; manager cannot participate in future searches unless a client specifically requests, but current and prospective clients must be made aware of the issues.
<b>Client Review</b>	Very serious issues have surfaced with an Investment Manager; manager cannot participate in future searches unless a client specifically requests. Current clients must be advised to review the manager.
<b>Terminate</b>	We have lost all confidence in the product; manager would not be recommended for searches and clients would be discouraged from using. The manager cannot participate in future searches unless a client specifically requests. Current clients must be advised to replace the manager.



Below is a summary of manager changes, announcements and due diligence events since the issuance of our last quarterly report.

#### Manager Changes/Announcements

##### **PIMCO**

On September 26, 2014 PIMCO announced several changes to senior leadership and portfolio management in reaction to the sudden resignation of founder and CIO Bill Gross. The following changes were announced:

- Bill Gross resigned from the firm, effective immediately, and will join Janus Capital Group, Inc.
- Daniel Ivascyn was elected Global CIO, succeeding Bill Gross
- PIMCO appointed Andrew Balls, CIO Global; Mark Kiesel, CIO Global Credit; Virginie Maissoneuve, CIO Equities; Scott Mather CIO U.S. Core strategies; and Mihir Worah, CIO Real Return and Asset Allocation
- Scott Mather and Mark Mihir were appointed Portfolio Managers for the Total Return Fund
- Saumil Parikh, Mohsen Fahmi, and Dan Ivascyn will serve as Portfolio Managers for the Unconstrained Bond Fund.
- PIMCO also announced Chris Dialynas will return from sabbatical in the fourth quarter of 2014

The news comes on the heels of a number of organizational related developments at PIMCO, including the departures of co-CIO and CEO Mohammed El-Erian and Managing Director Marc Seidner, the appointment of six deputy CIOs, as well as numerous unfavorable media profiles of Mr. Gross and his at times erratic behavior. At that time NEPC believed that many of the announcements were disconcerting and a potential risk to the overall health of the organization; however because Mr. Gross remained with the firm, the investment process was unaltered, and the enactment of a Deputy CIO structure tempered succession concerns, NEPC did not believe PIMCO's investment capabilities would suffer. NEPC conducted many meetings, phone calls, and e-mail correspondence with senior personnel at PIMCO, including Bill Gross and the then Deputy CIOs in response to aforementioned developments. We felt that while the situation was transient at the time, the placement of the six Deputy CIOs had cleared some uncertainty regarding leadership transition after the heir-apparent, Mohammed El-Erian, resigned from PIMCO.

##### **Organizational and Business Risk**

Risk of additional turnover at senior ranks within the organization is a concern to NEPC in the near term. During NEPC's onsite meeting with PIMCO they expressed that they are doing all they can to structure incentive plans and compensation arrangements to mitigate turnover risk in the intermediate term. On a positive note, we view the appointment of a clear successor in Dan Ivascyn as constructive given the uncertainty surrounding leadership transition in recent months. After speaking with various members of the firm, including a member of the CIO selection committee, it is clear that Mr. Ivascyn was a leading candidate and is a very well-respected leader and investor at PIMCO. Longer-term business impact is another aspect we will be monitoring. PIMCO has to experienced significant outflows as a result of this announcement totaling approximately 7% (\$40 B) as at September 30, 2014. A reduction in assets will negatively impact the firm's revenue, which has broader implications on staffing, compensation, and growth in the mid to long term. This is an area that NEPC will investigate further in order to assess critical asset levels.

Below is a summary of manager changes, announcements and due diligence events since the issuance of our last quarterly report.

#### Manager Changes/Announcements

##### **PIMCO (continued)**

##### **Cultural Impact**

Bill Gross' resignation also brings about concerns regarding firm culture, and the potential for it to evolve. PIMCO is known as an incredibly competitive meritocracy, a culture championed by Bill Gross over the years. In a conversation with senior investment professionals at PIMCO, including Dan Ivascyn, Scott Mather (CIO of Core Strategies), and Saumil Parikh (Managing Director and Investment Committee member), all three separately refuted that culture would change significantly. On the margin, they expressed that investment discussions could become less centralized, creating a more collegial environment, which we would view as a positive.

##### **Investment Impact**

The All Asset funds are products that Bill Gross wasn't the lead portfolio manager on, nor was he an intricate part of the team for these products. PIMCO is a leading investment manager in the fixed income markets and has been successful in the management of a broad array of strategies for many years. Notwithstanding Mr. Gross' resignation, PIMCO maintains a talented and experienced team of investment staff, led by an impressive group of CIOs who have worked together for periods of 10 years and longer. Bill Gross' departure does not change this significantly, given that he was dedicated to a small number of strategies as lead portfolio manager (Total Return and Unconstrained Bond). PIMCO expressed to us that the investment process will largely remain the same with a few minor process enhancements that may take place over an extended period of time. PIMCO's top-down investment committee and secular and cyclical forum decision-making structure will remain in place and continue to drive portfolio positioning and implementation. We do, however, realize that Mr. Gross has been a key contributor and the most influential decision maker at the firm since its inception. NEPC believes this generates uncertainty regarding the potential for adverse impact on long-term investment process and performance.

PIMCO recently announced three additions to the firm and one new appointment. Rejoining PIMCO will be Michael Spence, Jeremie Banet and Marc Seidner. You may remember that Jeremie Banet left the firm earlier in the year to pursue an entrepreneurial venture (there were also rumors that a strained relationship with Bill Gross drove him to resign). Mr. Banet will be returning to the Real Return team where he will focus on inflation-linked strategies. He will report to Mihir Worah, CIO of Real Return. Michael Spence, a Nobel Laureate and Professor at NYU Stern School of Business, will be rejoining the firm as a consultant similar to role he held until early 2014. He will focus on macroeconomic and global policy issues, and he will be contributing to the secular and cyclical forums and directly to the investment committee upon his return. Marc Seidner will rejoin PIMCO after spending only 8 months with GMO as the head of fixed income. Marc will be named CIO of Non-Traditional strategies, joining the five platform CIOs and Global CIO Dan Ivascyn. He will be working out of the New York offices and will act as Head of Portfolio Management in New York, a position previously held by Curtis Mewbourne.



Below is a summary of manager changes, announcements and due diligence events since the issuance of our last quarterly report.

#### Manager Changes/Announcements

##### **PIMCO (continued)**

Curtis will move to Newport Beach, where he will continue in his previous responsibilities, including as lead portfolio manager on the Diversified Income strategy. Marc will also be named a member of the Investment Committee and will take on some generalist portfolio management responsibilities. The third announcement is that Rahul Seksaria will become a member of the GMAF and the PIMCO Absolute Return Strategy (PARS) strategy teams. Mr. Seksaria is a member of the Real Return team and is the PM that took over for Mr. Banet's accounts following his departure this past June. He will remain on the Real Return team and continue to report to Mihir Worah.

NEPC views these additions to PIMCO as net positives for PIMCO as the individuals know and understand the culture and firm very well.

**NEPC recommends a due diligence status of Client Review for all PIMCO strategies. Our recommendation to San Jose is to stay invested in the All Asset Fund since the strategy was not directly managed by Bill Gross.**

##### **Standard Life GARS**

After several meetings in June of 2014 with the investment team and a meeting at Standard Life's Edinburgh office, we have no concerns regarding the stability and capabilities of the investment team. The multi-asset investment team has over forty members with broad skills across a variety of asset classes. We will continue to monitor Standard Life closely but recommend the GARS strategy's Watch status be removed. We also continue to believe GARS is a "best ideas" strategy and remains a preferred option for Global Asset Allocation (GAA) mandates.

##### ***Watch status removed***

##### **Franklin Templeton Global Multi-Sector**

On September 19, 2014 Franklin Templeton announced Canyon Chan resigned his position. Mr. Chan was a key investment professional within the global fixed income group, however we view the departure and transition as manageable for Franklin. From a research perspective, the changes will be minimal. Michael Hasenstab remains the primary decision maker on the strategies, supported by Sonal Desai (portfolio manager and director of research). Mr. Chan's responsibilities can be transitioned to an experienced member of the team who is familiar with the role. Other than this departure, there has been no significant turnover in this group. We will continue to monitor the transition over the coming months and keep all updated.

**NEPC recommends No Action as a result of this event.**

Below is a summary of manager changes, announcements and due diligence events since the issuance of our last quarterly report.

**Manager Changes/Announcements**

**Artisan Partners**

On September 29, 2014 Artisan announced further changes to the growth equity platform (Small Cap Growth, Mid Cap Growth, and Global Opportunities). By the end of the year Andy Stephens will no longer have his name directly tied to any capital invested across the three funds. His function going forward will be a combination of the following roles: Managing Director, Advisory, and Research. In this position, he will continue to serve as a mentor to the portfolio managers. He will also remain active in the identification of secular themes and in the research process with the analysts. This announcement focuses on a transition for the future but it also serves as recognition of the three individual portfolio managers. In addition to the elevation of the three portfolio managers Artisan has also been actively adding to the research team.

***NEPC recommends No Action as a result of this event.***

## **Appendix: Policy Benchmark History; Performance Disclosures**



## City of San Jose Police and Fire Department Retirement Plan

### Policy Benchmark History

- **6/1/95 – 9/30/01** – 35% S&P 500/10% MSCI EAFE/35% BC Aggregate/10% Citigroup WGBI/10% NCREIF Property
- **10/1/01 – 12/31/04** – 35% S&P 500/15% MSCI EAFE/5% MSCI Emg Mkts/28% BC Aggregate/5% Citigroup WGBI/12% NCREIF Property
- **1/1/05 – 3/31/08** – 34% S&P 500/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Russell 2000
- **4/1/08 – 6/30/08** – 29% S&P 500/5% Russell 2000/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)
- **7/1/08 – 12/31/09** – 22% S&P 500/5% Russell 2000/17% MSCI EAFE/5% MSCI Emg Mkts/18% BC Aggregate/5% ML US HY BB-B Constrained/10% NCREIF Property/8% Cambridge Private Equity (lagged 1 quarter)/5% DJ/UBS Commodities Index/5% HFRI FoF: Conservative
- **1/1/10 – 3/31/11** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% DJ/UBS Commodities Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%
- **4/1/11 – 12/31/2011** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% San Jose P&F Custom Commodity Risk Parity Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%
- **1/1/12 – 12/31/2012** – 12% MSCI All Country World Index/15% MSCI All Country World Index Value/2% Russell 3000/3% Russell 2000/3% MSCI EAFE + CAD Small Cap/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% San Jose P&F Custom Commodity Risk Parity Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%
- **1/1/2013 – 10/31/2013** – 29% MSCI All Country World Index IMI/5% Cambridge PE (lagged 1 quarter)/3% Russell 3000 (lagged 1 quarter)/5% Barclays Capital Aggregate/5% BC High Yield/5% Barclays Capital Global Aggregate x US Hedged/10% 50/50 DLJ Levered Loan Index/ML US HY BB-B Constrained/5% San Jose Custom EMD Benchmark/4% NCREIF ODCE (lagged 1 quarter)/3% 60/40 MSCI ACWI IMI/BC Global Aggregate/10% San Jose Custom Inflation-Linked Assets Index/10% San Jose Custom Hedge Fund Index/5% 60/40 MSCI World/Citi WGBI/1% 90 day T-bills
- **11/1/2013 – 12/31/2013** – 29% MSCI All Country World Index IMI/5% Cambridge PE (lagged 1 quarter)/3% Russell 3000 (lagged 1 quarter)/5% Barclays Capital Aggregate/5% BC High Yield/5% Barclays Capital Global Aggregate x US Hedged/10% 50/50 DLJ Levered Loan Index/ML US HY BB-B Constrained/5% San Jose Custom EMD Benchmark/4% NCREIF ODCE (lagged 1 quarter)/3% 60/40 MSCI ACWI IMI/BC Global Aggregate/7% San Jose Custom Inflation-Linked/3% CPI+5%/ Assets Index/10% San Jose Custom Hedge Fund Index/5% 60/40 MSCI World/Citi WGBI/1% 90 day T-bills
- **1/1/2014 – present** – 29% MSCI All Country World Index IMI/5% Cambridge PE (lagged 1 quarter)/3% Russell 3000 (lagged 1 quarter)/10% Barclays Capital Global Aggregate/5% BC High Yield/10% 50/50 DLJ Levered Loan Index/ML US HY BB-B Constrained/5% San Jose Custom EMD Benchmark/4% NCREIF ODCE (lagged 1 quarter)/3% 60/40 MSCI ACWI IMI/BC Global Aggregate/7% San Jose Custom Inflation-Linked Assets Index/3% CPI+5%/10% San Jose Custom Hedge Fund Index/5% 60/40 MSCI World/Citi WGBI/1% 90 day T-bills

# City of San Jose Police and Fire Department Retirement Plan

## Additional Performance Disclosures and Footnote Detail

Note: All performance, ranks, asset allocation and asset growth detailed throughout this report is gross of fees and is as of December 31, 2013, unless otherwise noted.

### Page 18

- 1 – Long-Term Policy Benchmark adopted by the Board of Administration at the August 2, 2012 meeting.
- 2 – Global Equity Composite market value includes \$19,013 of residual assets remaining in the equity transition account and terminated manager accounts.
- 3 – U.S. Equity market value includes \$474,746 of residual assets remaining in terminated manager accounts.
- 4 – International Equity Composite and Developed International Equity Composite market values includes \$2,500,299 of residual assets remaining in terminated manager accounts.
- 5 – Total Fixed Income market value includes \$6,164 of residual assets remaining in terminated manager accounts.
- 6 – Cash market value includes Russell Overlay account.

### Page 41

- 1 – Total Equity Composite market value includes \$2,994,058 of residual assets remaining in the equity transition account and terminated manager accounts.
- 2 – San Jose Custom Total Equity Benchmark comprised of: 50% S&P 500/8% Russell 2000/34% MSCI EAFE (Net)/8% MSCI Emerging Markets (Net) from 4/1/2008 – 6/30/2008; 45% S&P 500/10% Russell 2000/35% MSCI EAFE (Net)/10% MSCI Emerging Markets (Net) from 7/1/2008 – 12/31/2009; 45% Russell 1000/12.5% Russell 2000/30% MSCI EAFE(Net)/12.5% MSCI Emerging Markets (Net) from 1/1/2010 – 12/31/2011; 30% MSCI ACWI (Net)/37.5% MSCI ACWI Value (Net)/5% Russell 3000/7.5% Russell 2000/7.5% MSCI World ex-U.S. Small Cap (Net)/12.5% MSCI Emerging Markets (Net) from 1/1/2012 – 12/31/2012; 100% MSCI ACWI IMI (Net) from 1/1/2013 – forward.
- 3 – Global Equity Composite market value includes \$19,013 of residual assets remaining in the equity transition account and terminated manager accounts. Inception date for performance shown is March 1, 2013 to be consistent with the inception of the global equity portfolio managed by Artisan. Historically, the global equity composite was comprised of the MSCI ACWI and MSCI ACWI Value mandates that were managed by Russell from November 2011 – November 2012. Performance of the global equity composite and underlying managers is included in the performance of the Total Fund and related composites from December 2012 – February 2013.
- 4 – U.S. Equity Composite market value includes \$474,746 of residual assets remaining in terminated manager accounts.

### Page 42

- 1 – International Equity Composite and Developed International Equity Composite market values include \$2,500,299 of residual assets remaining in terminated manager accounts.

### Page 43

- 1 – Total Private Equity Composite includes investments that have been funded through 6/30/2014 as well as \$124.7 million in interim exposure managed by Russell. All Private Equity partnerships reported are lagged one quarter beginning 7/1/2014 and therefore show a zero return.
- 2 – San Jose Custom Total Private Equity Index comprised of 62.5% Cambridge PE Index 1 Qtr Lagged, 37.5% Russell 3000 Index 1 Qtr Lagged.
- 3 – San Jose Custom Private Equity is comprised of 100% Cambridge PE Index 1 Qtr Lagged. Private Equity reporting policy change resulted in a zero 9/30/2014 quarterly return.

### Page 44

- 1 – Total Fixed Income Composite market value includes \$6,164 of residual assets remaining in terminated manager accounts.
- 2 – Effective 12/1/2012, the Plan's allocation to direct lending strategies will be included in the Total Credit Composite.
- 3 – Total Credit and Corporate Credit Composite market value includes \$4,785 of residual assets remaining in terminated manager accounts.
- 4 – Blended Domestic Credit Index comprised of 50% DLJ Leveraged Loan Index/50% BofA ML U.S. HY BB-B through 11/30/2012; Barclays Capital High Yield Index thereafter.

## City of San Jose Police and Fire Department Retirement Plan

### Additional Performance Disclosures and Footnote Detail

#### Page 45

- 1 – Effective 12/1/2012, the Plan's allocation to direct lending strategies will be included in the Opportunistic Credit Composite.
- 2 – Capula was funded in March 2014. Inception date for performance reporting purposes is April 1, 2014.

#### Page 46

- 1 – San Jose Custom EMD Index comprised of JP Morgan EMBI+ from 1/1/2013 – 6/30/2013; JP Morgan Blended EMD Index thereafter.
- 2 – JP Morgan Blended EMD Index comprised of 50% JP Morgan GBI EM Global Diversified, 25% JP Morgan EMBI Global Diversified, 25% JP Morgan Corporate Broad EMBI.

#### Page 47

- 1 – Total Real Estate Composite includes investments that have been funded through 6/30/2014 as well as \$60.2 million in interim exposure managed by Russell.
- 2 – San Jose Custom Total Real Estate BM is comprised of 43% 60/40 MSCI World (Net)/Citi WGBI, 57% NCREIF ODCE
- 3 – San Jose Custom Real Estate Benchmark is comprised of 100% NCREIF ODCE. Real Estate reporting policy change resulted in a zero 9/30/2014 quarterly return.
- 4 – San Jose Custom Inflation-Linked Assets Benchmark comprised of 100% Custom Commodity Risk Parity Index from 4/1/2011 – 10/31/2013; 70% Custom Commodity Risk Parity Index, 30% CPI + 5% (Unadjusted) from 11/1/2013 – forward.

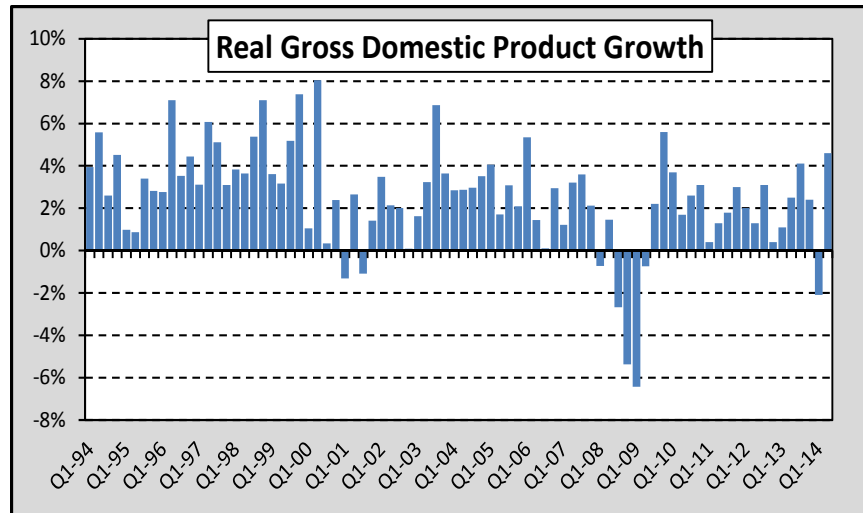
#### Page 48

- 1 – San Jose Custom Hedge Fund Benchmark comprised of 100% Russell Hedge Index from 11/1/2012 – 12/31/2012; 80% Russell Hedge Index, 20% HFRI FoF Composite from 1/1/2013 – 3/31/2013; 60% Russell Hedge Index, 40% HFRI FoF Composite from 4/1/2013 – 6/30/2013; 40% Russell Hedge Index, 60% HFRI FoF Composite from 7/1/2013 – 9/30/2013; 30% Russell Hedge Index, 70% HFRI FoF Composite from 10/1/2013 – forward.
- 2 – Russell Hedge Index comprised of 15% MSCI ACWI, 15% Barclays Capital Global Aggregate (Unhedged), 70% 90 day T-bills. The Russell Hedge Index is being used as a proxy for the Plan's allocation to hedge funds while searches are completed to fill the 10% target allocation.

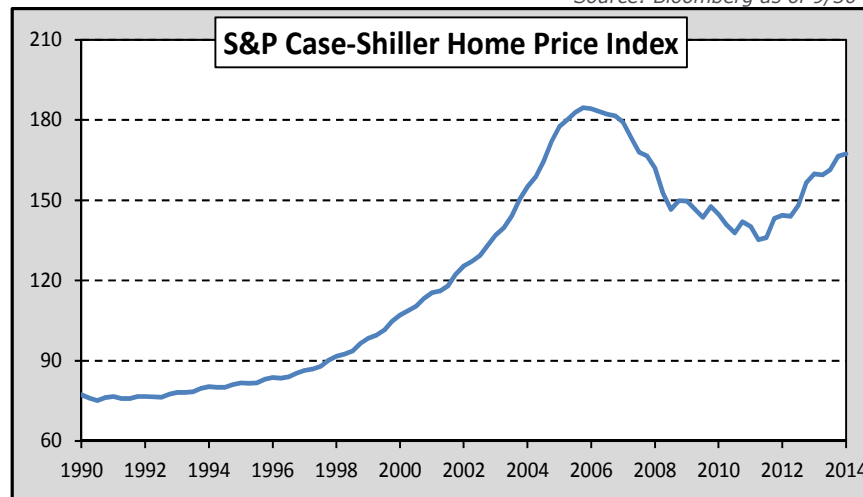
#### Page 50

- 1 – NEPC began calculating cash returns as of April 1, 2008.

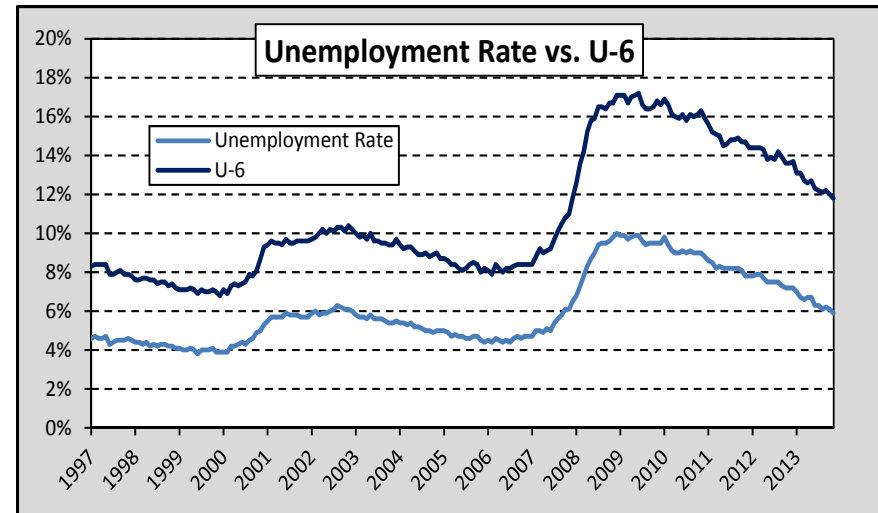
## Appendix: Market Environment



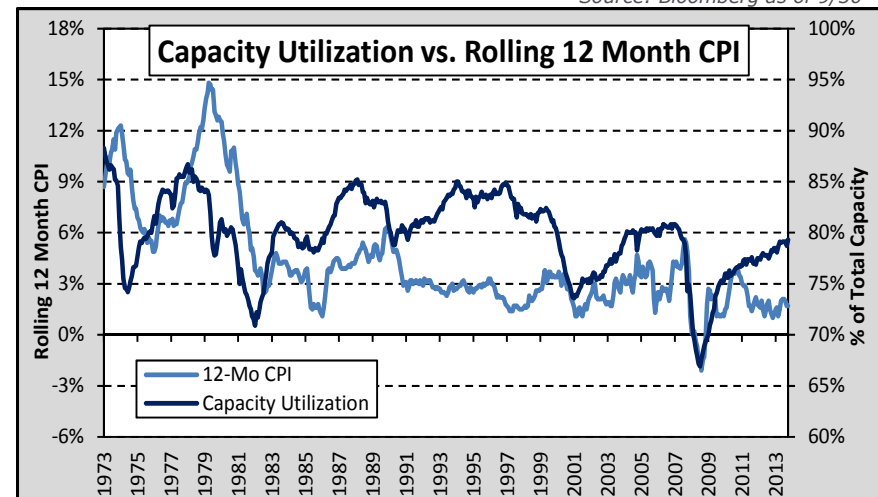
Source: Bloomberg as of 9/30



Source: Bloomberg as of 9/30



Source: Bloomberg as of 9/30

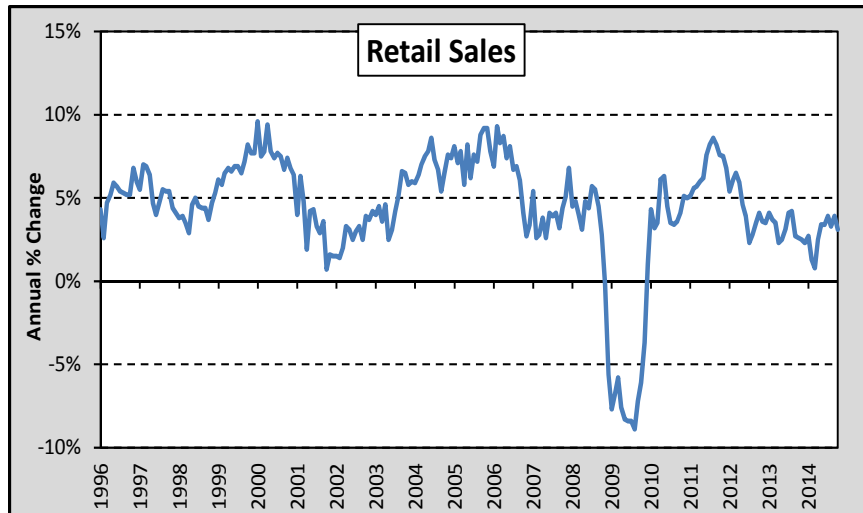


Source: Bloomberg as of 9/30



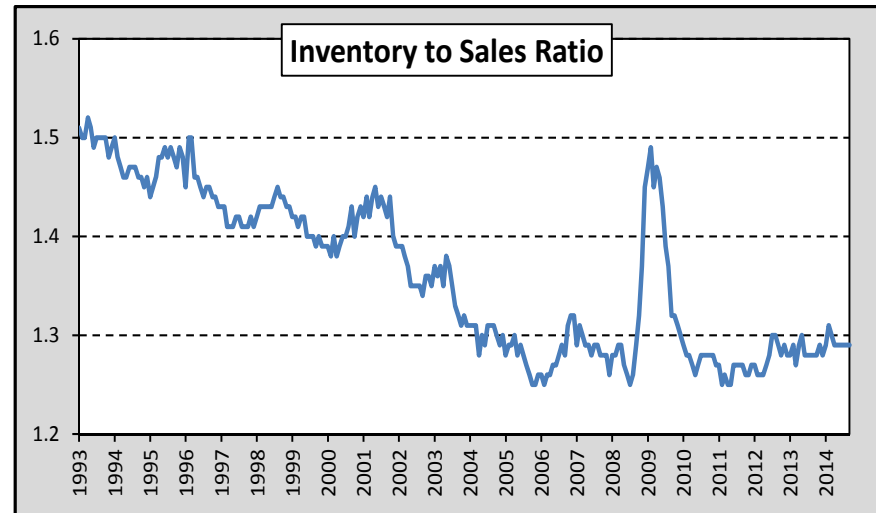
# City of San Jose Police and Fire Department Retirement Plan

## Components of GDP



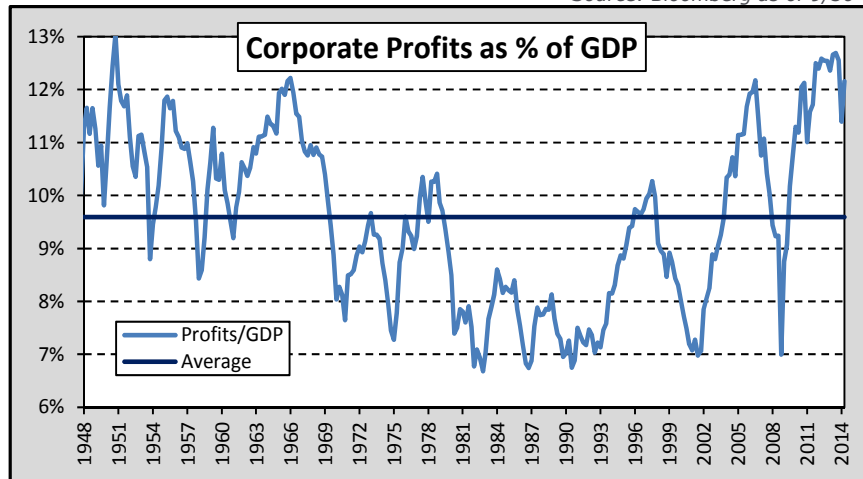
Retail sales rose to a 3.1% year-over-year growth rate in September

Source: Bloomberg as of 9/30



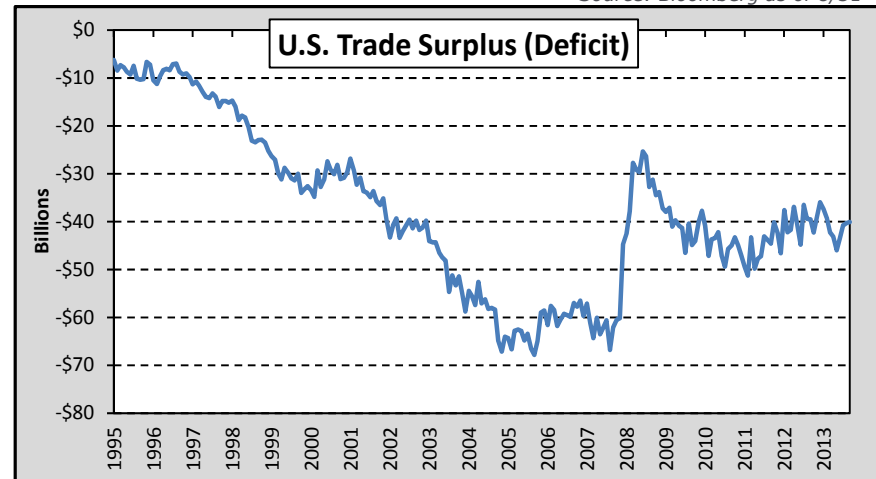
The inventory-to-sales ratio remained flat at 1.29 for August continuing a fairly consistent level

Source: Bloomberg as of 8/31



Second quarter corporate profits, as a percent of GDP, ended three consecutive quarters of decline on a slight increase at 12.2%.

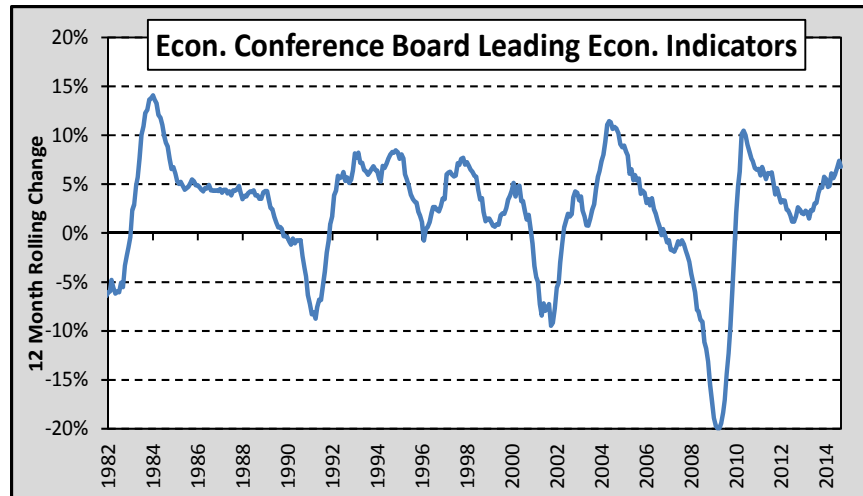
Source: Bloomberg as of 6/30



The trade deficit has decreased through August

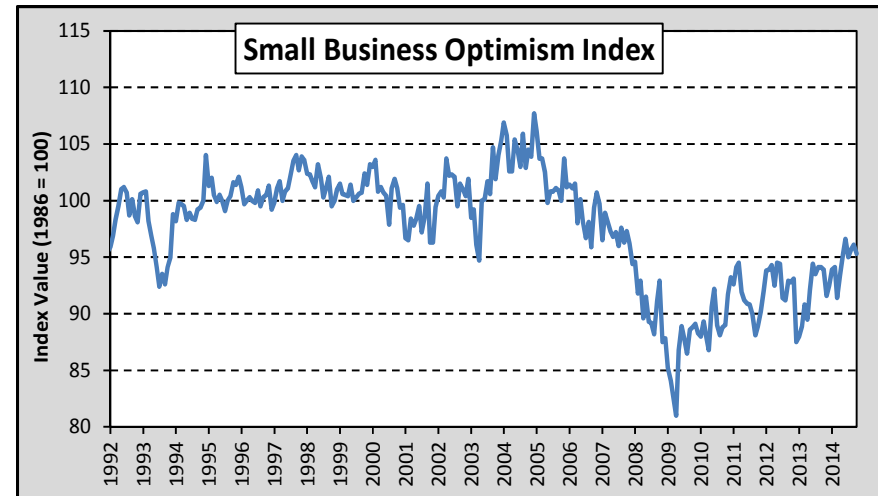
Source: Bloomberg as of 8/31

## Key Economic Indicators



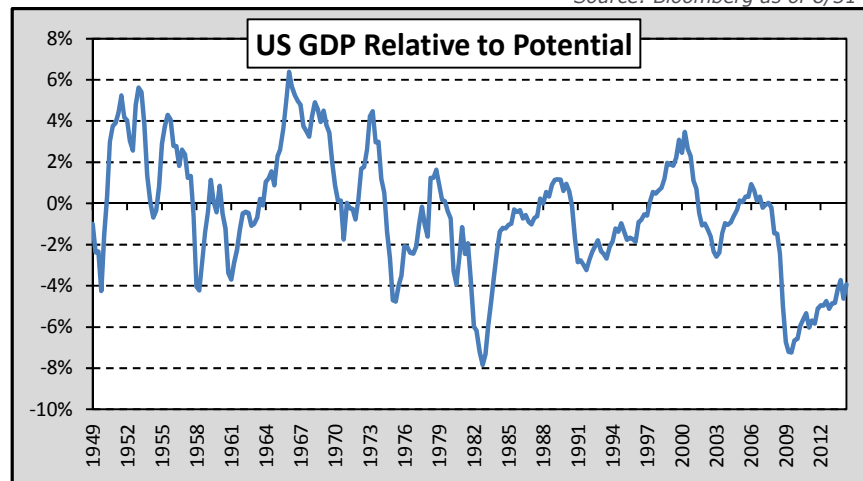
The rolling percentage change in the Leading Economic Indicators index decreased to 6.81% through August

Source: Bloomberg as of 8/31



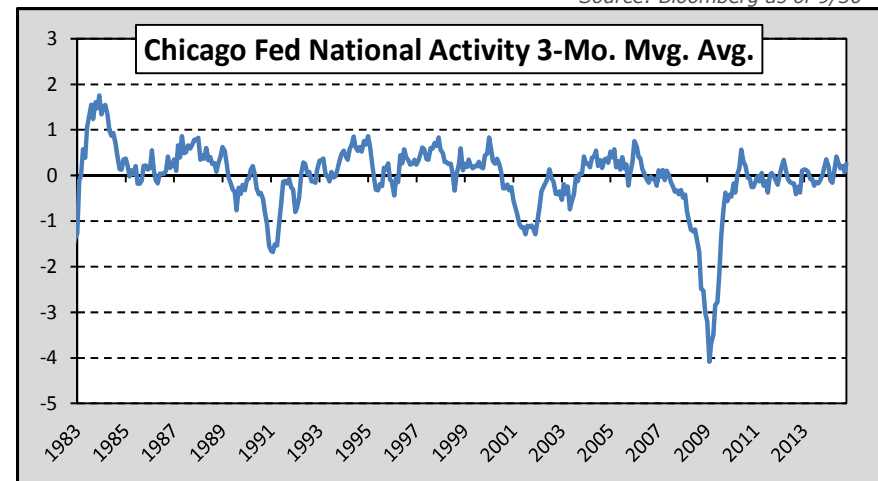
The small business optimism index decreased through September

Source: Bloomberg as of 9/30



US GDP relative to potential decreased through the first quarter and remained near historic lows

Source: Bureau of Economic Analysis, Congressional Budget Office as of 3/31

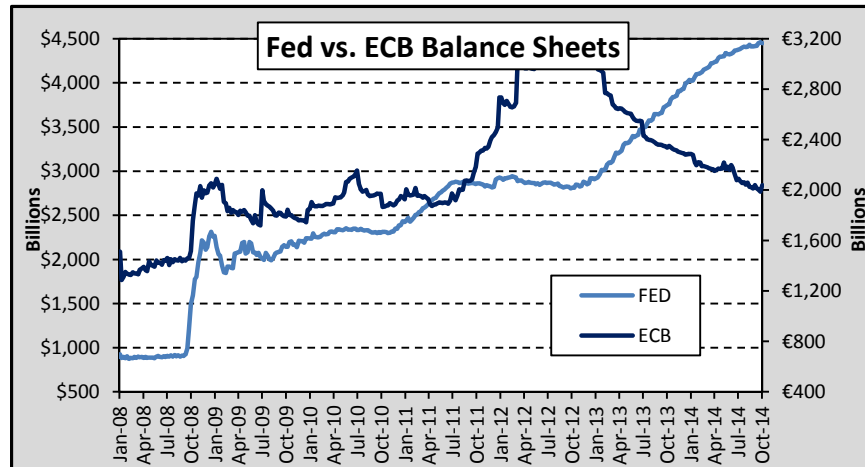


Chicago Fed National Activity 3 Month moving average remained positive through September; indicating above average growth

Source: Bloomberg as of 9/30

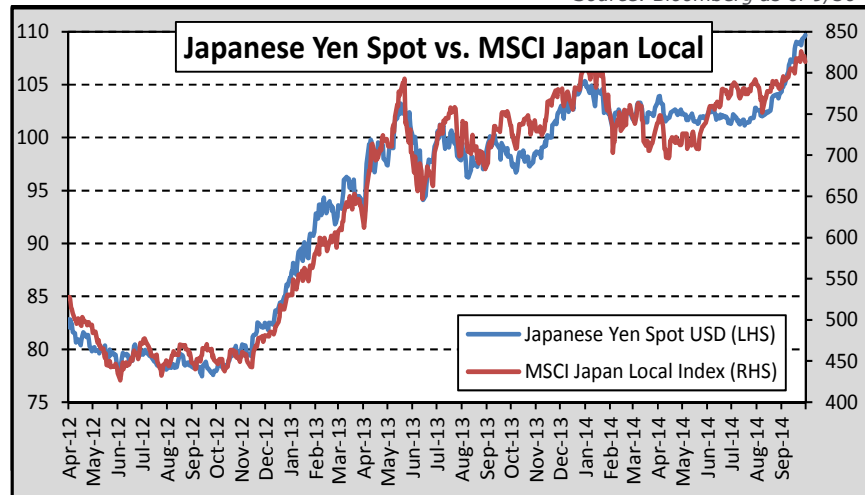
## City of San Jose Police and Fire Department Retirement Plan

### Economic Environment – Monetary Policy and Banks



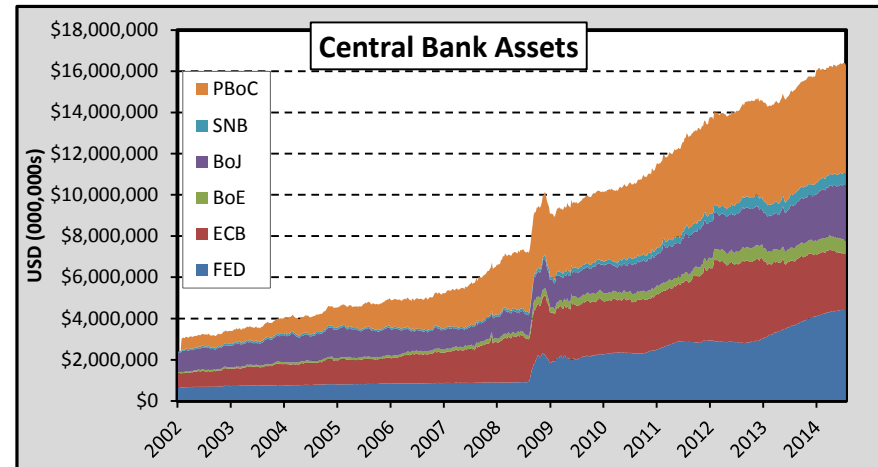
The Federal Reserve Bank balance sheet has increased in 2014 while the European Central Bank balance sheet has decreased

Source: Bloomberg as of 9/30



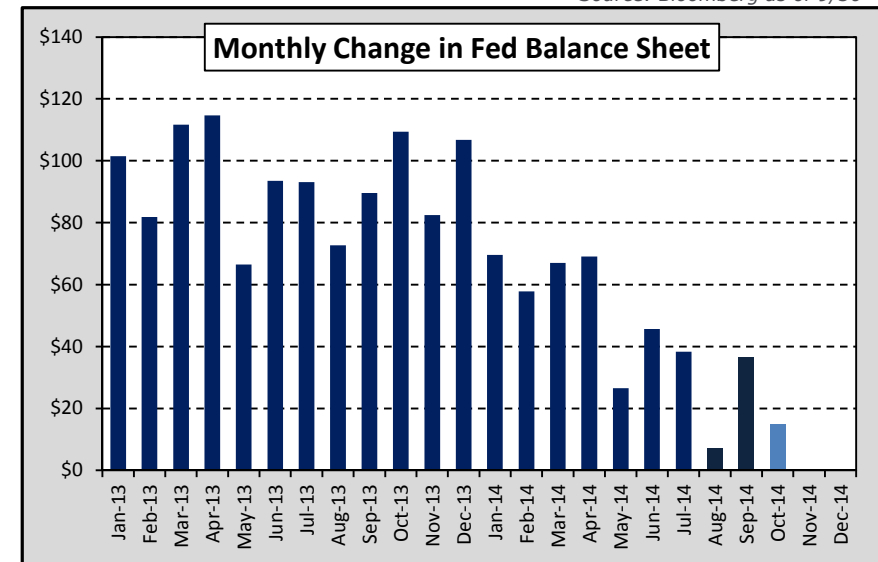
The Japanese Yen has weakened 4.1% relative to the US dollar in 2014; while the MSCI Japan TR Net Local Index returned 2.7%

Source: Bloomberg as of 9/30



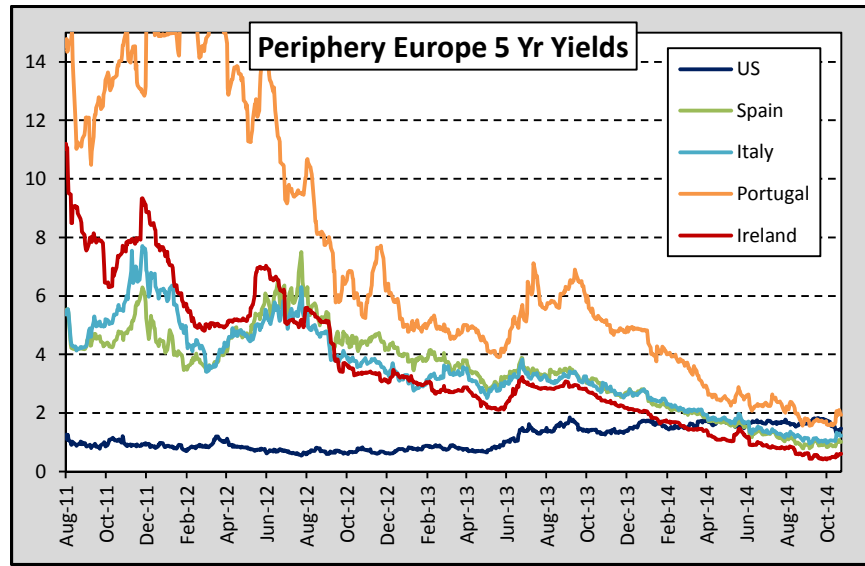
Central bank assets worldwide have risen significantly since 2008

Source: Bloomberg as of 9/30

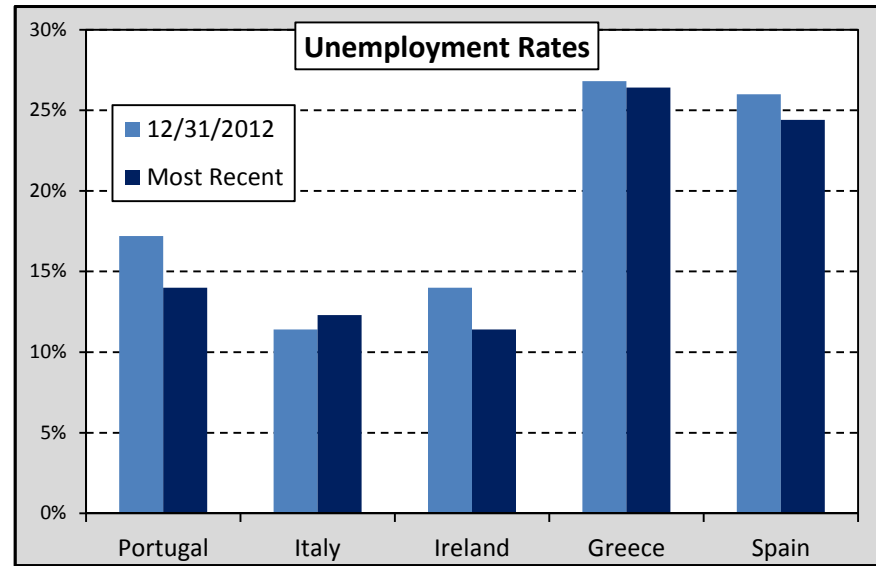


Source: Bloomberg as of 10/1, Values after 10/1 based on market projections

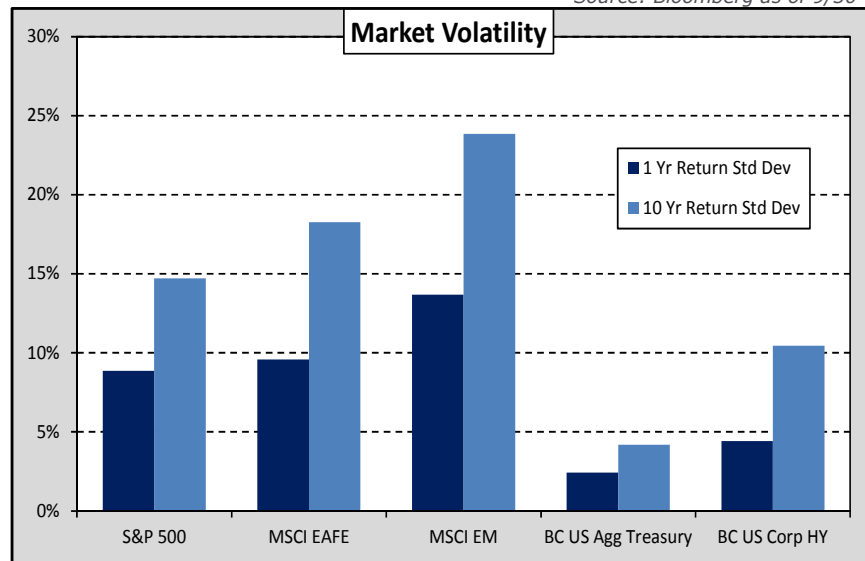
## Looming Macro Uncertainties



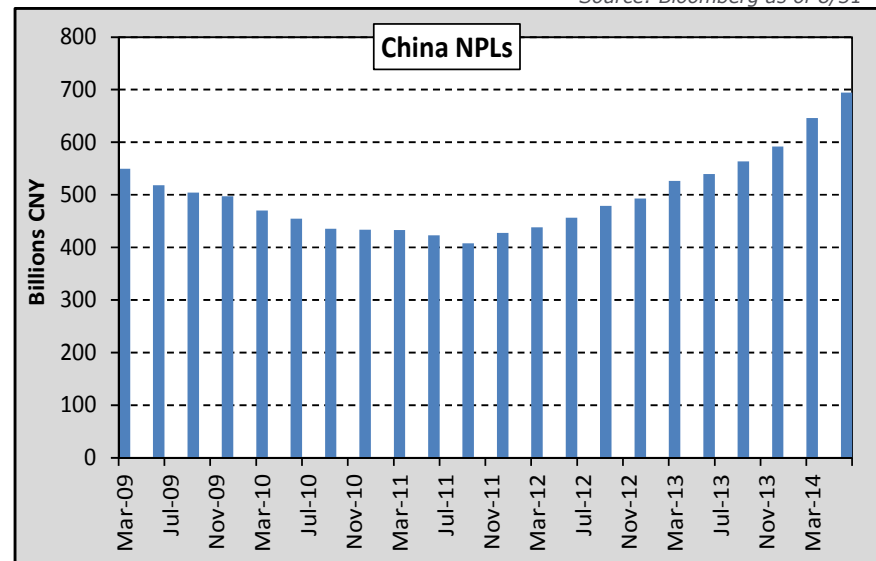
Source: Bloomberg as of 9/30



Source: Bloomberg as of 8/31



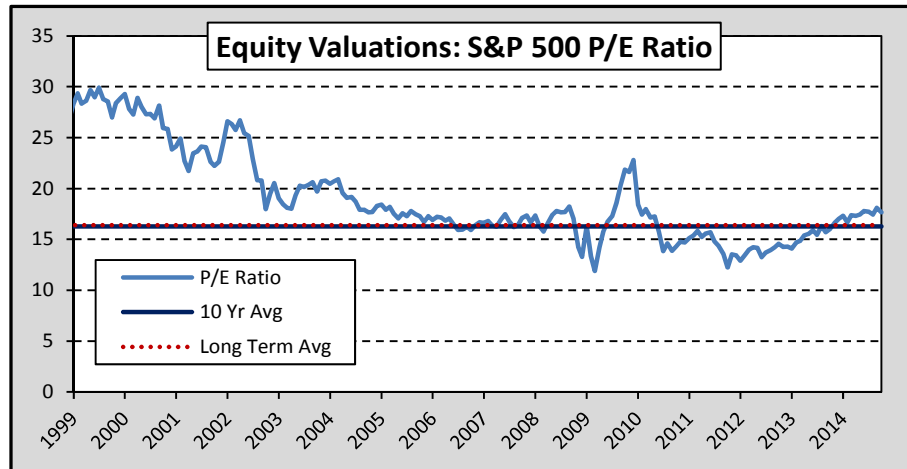
Source: Morningstar as of 9/30



Source: Bloomberg as of 6/30

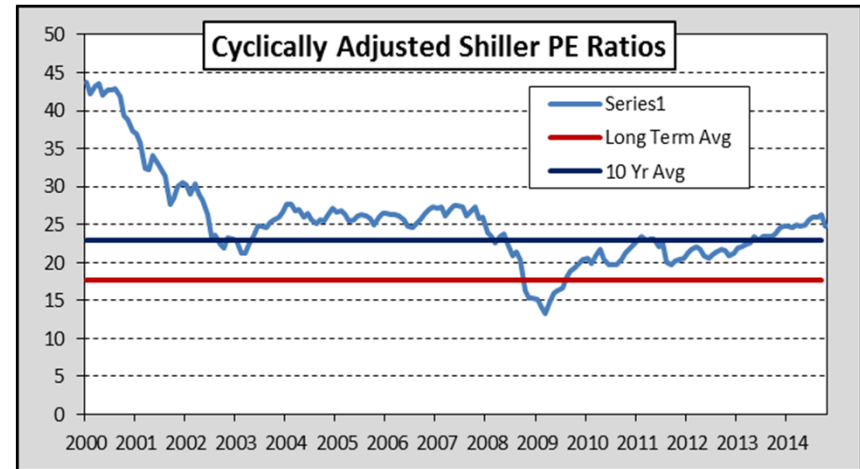
# City of San Jose Police and Fire Department Retirement Plan

## Market Environment – US Equity



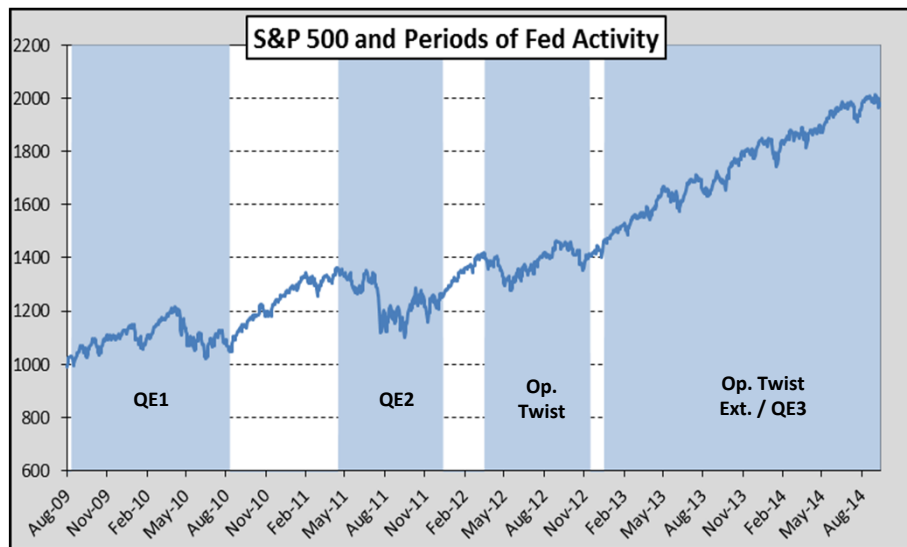
S&P valuations Increased in September remaining above the 10 year and long term averages

Source: Bloomberg as of 9/30; Long term average dates to 1/29/1954

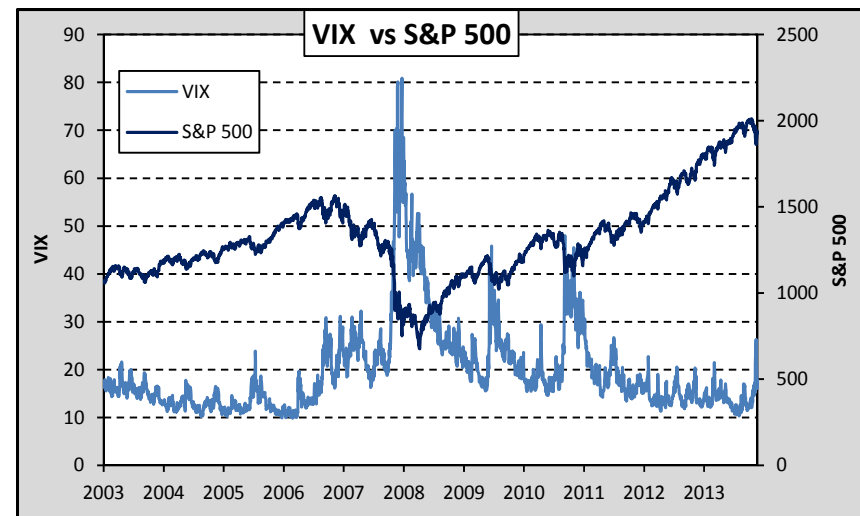


...The cyclically adjusted Shiller PE Ratio, is above the long term average of 17.63 and slightly above the 10 year average of 22.91

Source: Shiller Data as of 9/30; Long term average dates to 1/1/1926



Source: Bloomberg as of 9/30

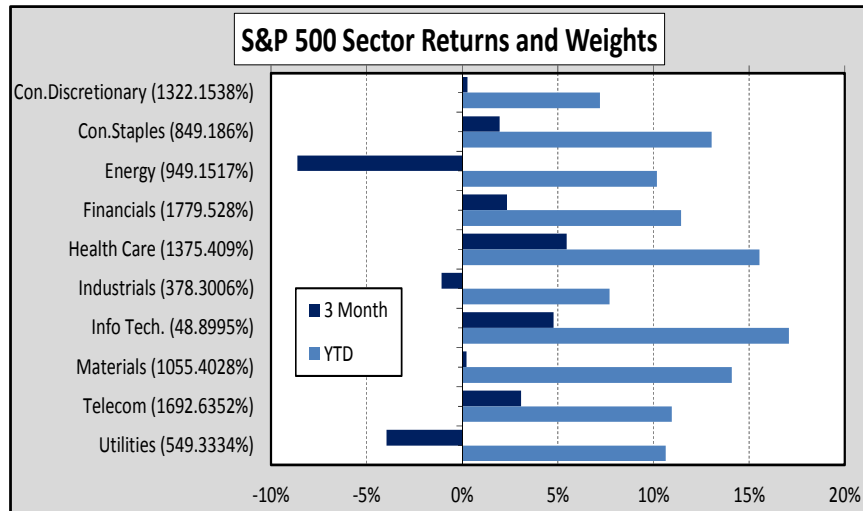


The VIX rose substantially at the end of the month; the S&P 500 fell 1.4% on the month

Source: Bloomberg as of 9/30

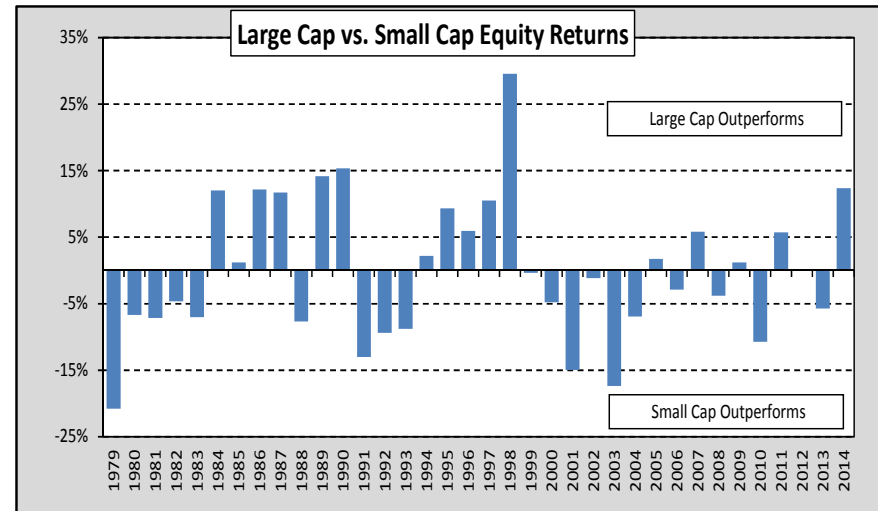
# City of San Jose Police and Fire Department Retirement Plan

## US Stock Market Performance



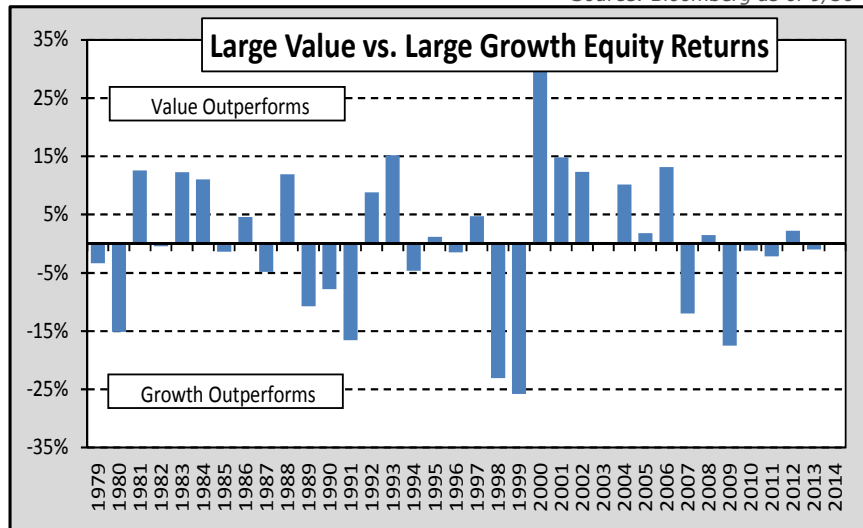
All sectors are positive in 2014 with info tech and healthcare providing the highest returns

Source: Bloomberg as of 9/30



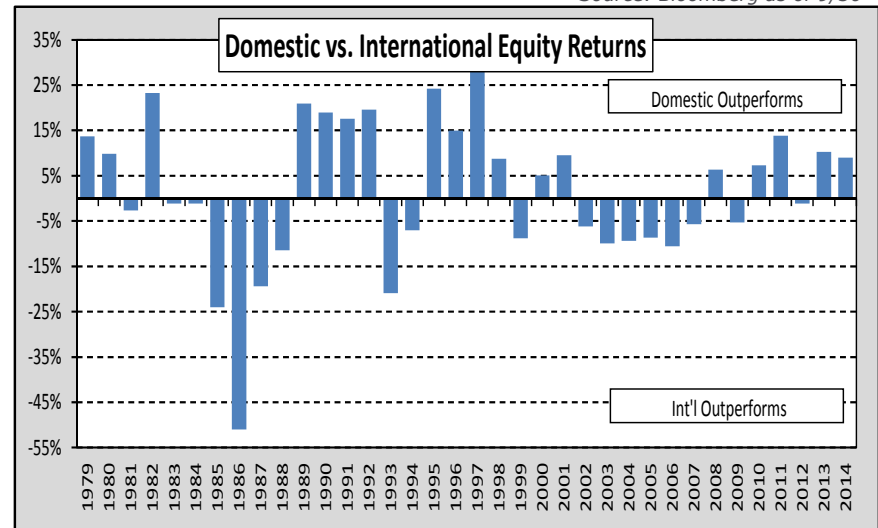
Large cap has outperformed small cap in 2014

Source: Bloomberg as of 9/30



Large value stocks have slightly outperformed large growth in 2014

Source: Bloomberg as of 9/30



Domestic equity has outperformed international equity in 2014

Source: Bloomberg as of 9/30

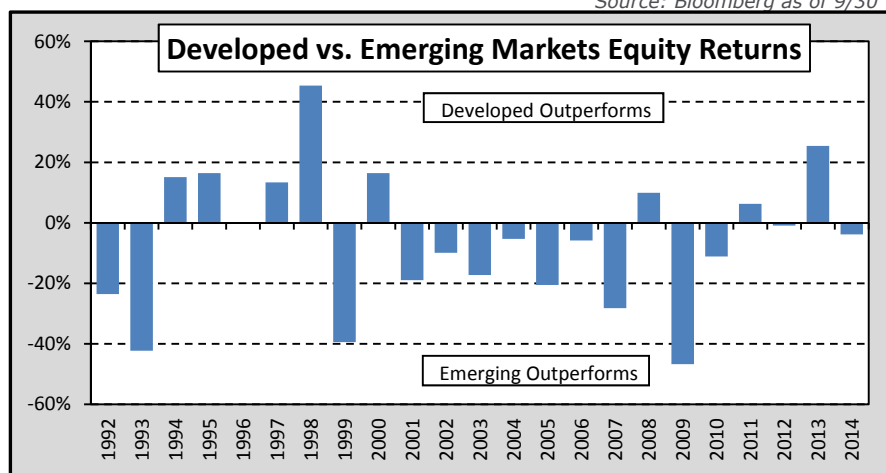
# City of San Jose Police and Fire Department Retirement Plan

## Non-US Stock Performance

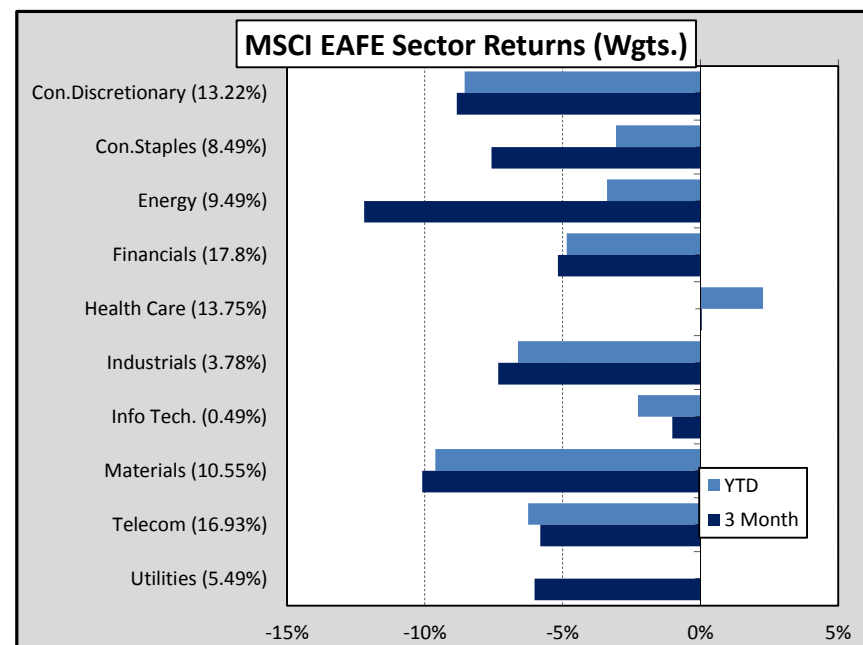
<b>Developed Market Equity Returns (U.S. Dollars)</b>				
	<b>YTD</b>	<b>3-Mo</b>	<b>1 Yr.</b>	<b>3 Yr. Ann.</b>
<b>Europe ex UK</b>	-4.2%	-7.6%	3.4%	13.1%
<b>United Kingdom</b>	-4.1%	-6.9%	2.3%	10.1%
<b>Japan</b>	-3.2%	-2.9%	-1.1%	7.1%
<b>Pacific Ex Japan</b>	-2.1%	-7.0%	-2.5%	7.6%
<b>Canada</b>	5.0%	-4.9%	8.6%	6.5%
<b>USA</b>	6.5%	0.4%	16.9%	20.4%

<b>US Dollar Return vs. Major Foreign Currencies</b>				
(Negative = Dollar Depreciates, Positive = Dollar Appreciates)				
	<b>YTD</b>	<b>3-Mo</b>	<b>1 Yr.</b>	<b>3 Yr. Ann.</b>
<b>Euro</b>	8.1%	7.7%	6.6%	1.9%
<b>Japanese Yen</b>	4.0%	7.6%	10.4%	11.1%
<b>British Pound</b>	2.1%	5.2%	-0.2%	-1.3%
<b>Canada</b>	5.1%	4.7%	8.0%	2.1%
<b>Australia</b>	1.9%	7.3%	6.1%	3.3%

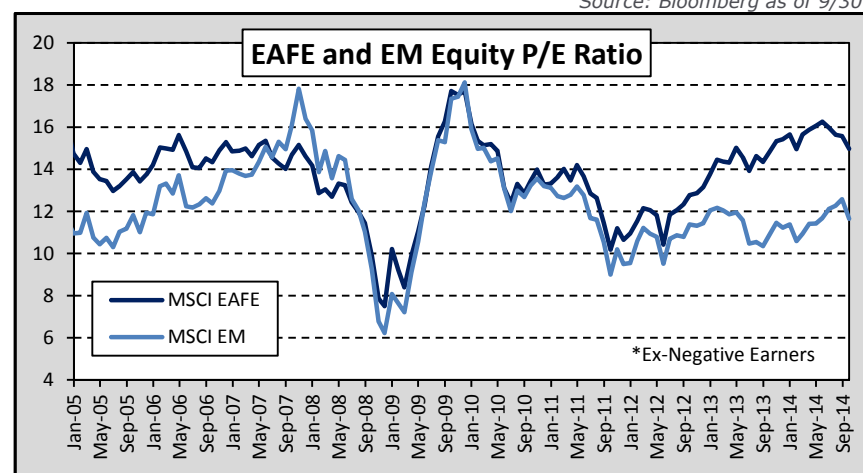
<b>Currency Impact on Developed Mkt. Returns</b>				
(Negative = Currency Hurt, Positive = Currency Helped)				
	<b>YTD</b>	<b>3-Mo</b>	<b>1 Yr.</b>	<b>3 Yr. Ann.</b>
<b>MSCI EAFE (Local)</b>	4.1%	0.9%	10.7%	17.3%
<b>MSCI EAFE (USD)</b>	-1.4%	-5.9%	4.3%	13.6%
<b>Currency Impact</b>	-5.5%	-6.8%	-6.4%	-3.6%



Source: Bloomberg as of 9/30



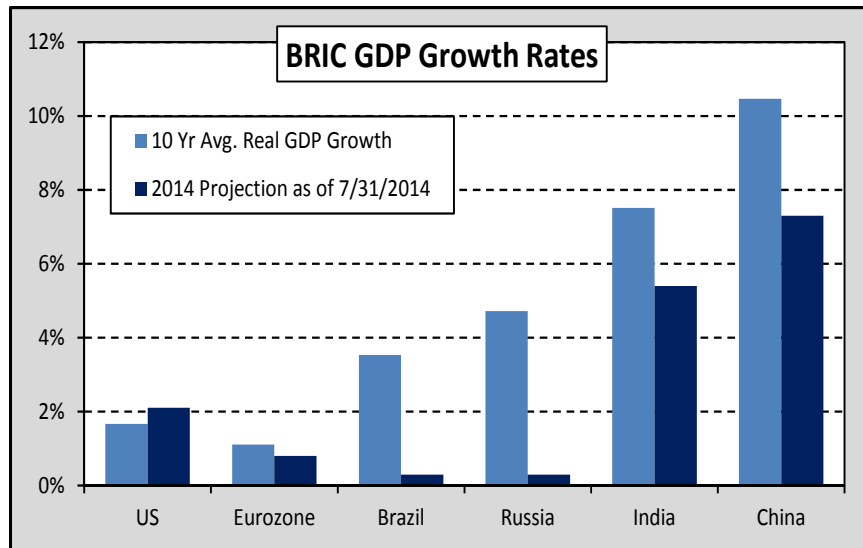
Source: Bloomberg as of 9/30



Source: Bloomberg as of 9/30

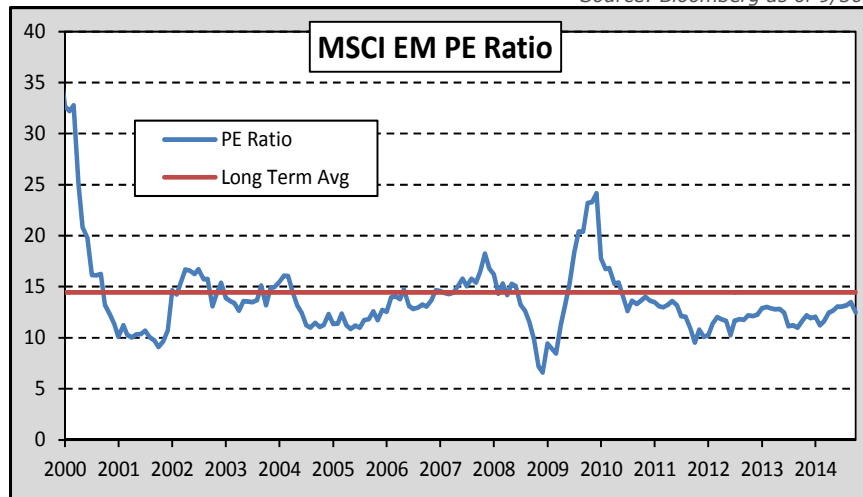
# City of San Jose Police and Fire Department Retirement Plan

## Market Environment – Emerging Markets



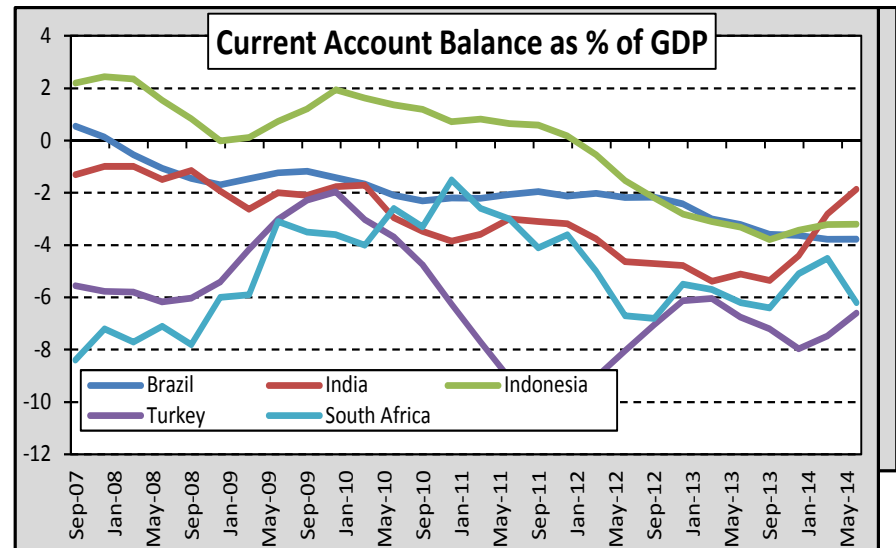
Projected GDP growth rates have declined in emerging market countries

Source: Bloomberg as of 9/30



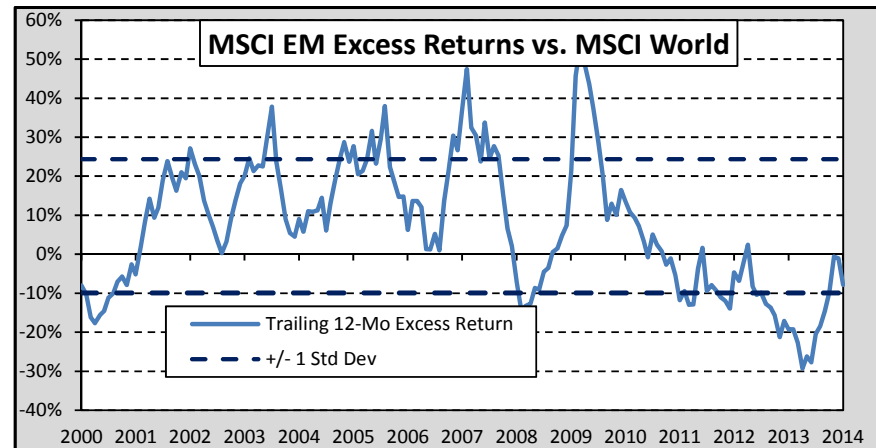
The MSCI EM PE Ratio remains below its long term average

Source: Bloomberg as of 9/30



Balance of payment challenged countries have shown signs of improvement

Source: Bloomberg as of 6/30

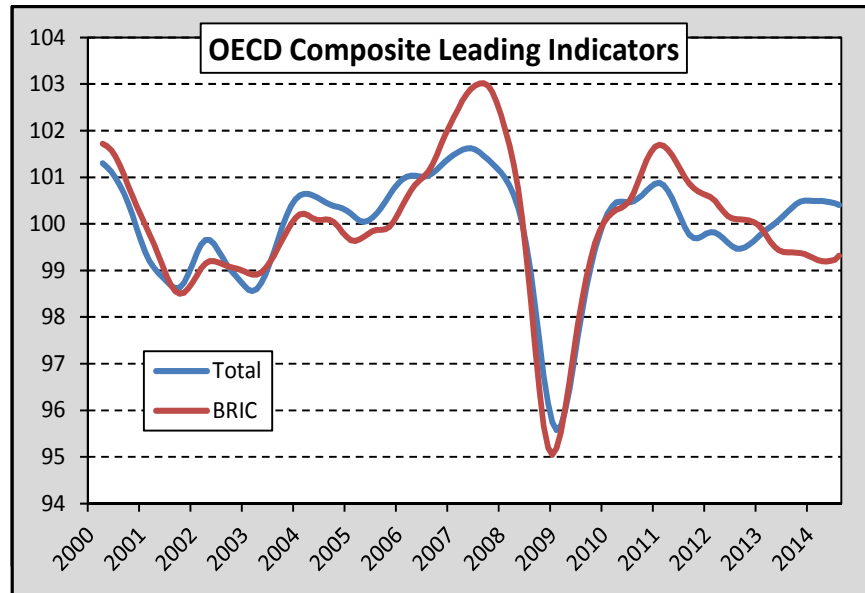


MSCI EM Rolling 12-Month excess returns relative to MSCI World have moved above the lower bound of the historical range

Source: Bloomberg as of 9/30



## Emerging Markets

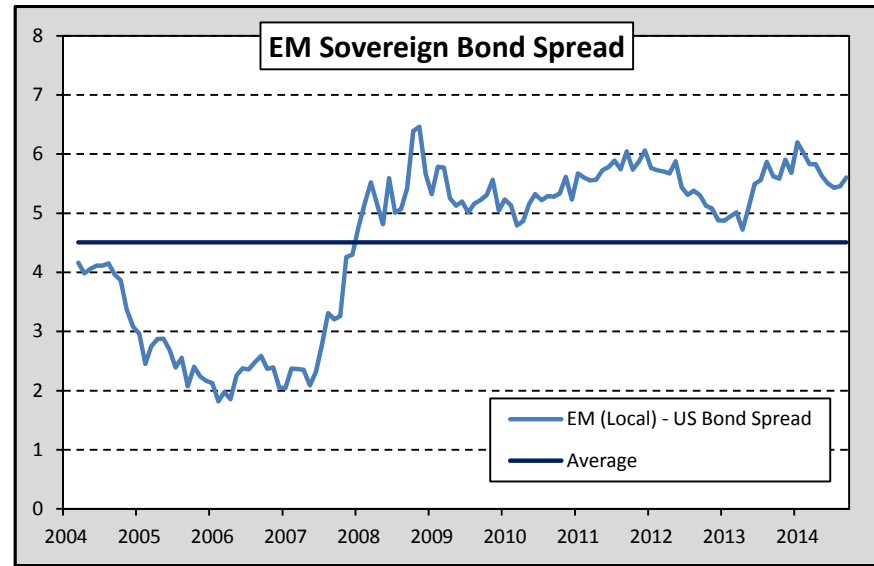


Source: Bloomberg as of 8/31

<b>Emerging Markets Valuation</b>		
	<b>MSCI EM</b>	<b>MSCI EM Small Cap</b>
<b>PE Ratio</b>	12.61	21.86
<b>PE Historical Avg</b>	14.47	18.27
<b>PB Ratio</b>	1.45	1.32
<b>Historical Avg</b>	1.53	1.28
<b>PS Ratio</b>	1.03	0.82
<b>Historical Avg</b>	1.11	0.71

- The MSCI EM Small Cap PE, PB, and PS are above historical averages
- MSCI EM's PE, PB, and PS ended September below their historical averages.

Source: Bloomberg as of 9/30



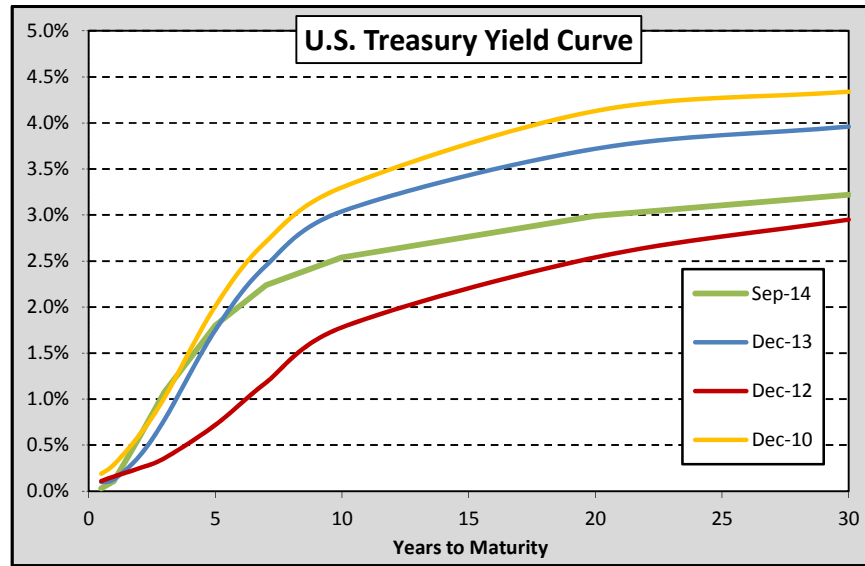
Source: Bloomberg as of 9/30

### US Dollar Return vs. Major EM Currencies

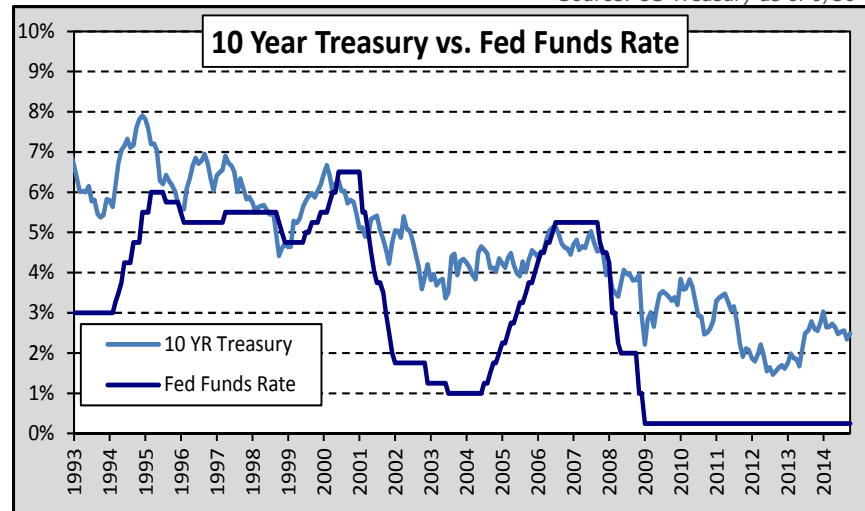
(Negative = Dollar Depreciates, Positive = Dollar Appreciates)

	<b>YTD</b>	<b>3-Mo</b>	<b>1 Yr.</b>	<b>3 Yr. Ann.</b>
<b>Brazilian Real</b>	3.3%	9.5%	9.2%	8.4%
<b>Russian Ruble</b>	16.9%	14.1%	18.3%	6.6%
<b>Indian Rupee</b>	0.1%	3.0%	-1.0%	7.5%
<b>Chinese Renminbi</b>	1.4%	-1.1%	0.3%	-1.3%
<b>Singapore Dollar</b>	-0.7%	-0.2%	-0.9%	-0.9%
<b>Hungarian Forint</b>	12.1%	8.1%	10.8%	3.8%
<b>Turkish Lira</b>	5.7%	7.0%	11.4%	6.5%
<b>Mexican Peso</b>	2.9%	3.4%	2.5%	-1.2%
<b>So. African Rand</b>	6.9%	5.7%	11.2%	10.5%
<b>So. Korean Won</b>	0.5%	4.4%	-1.6%	-3.8%

Source: Bloomberg as of 9/30

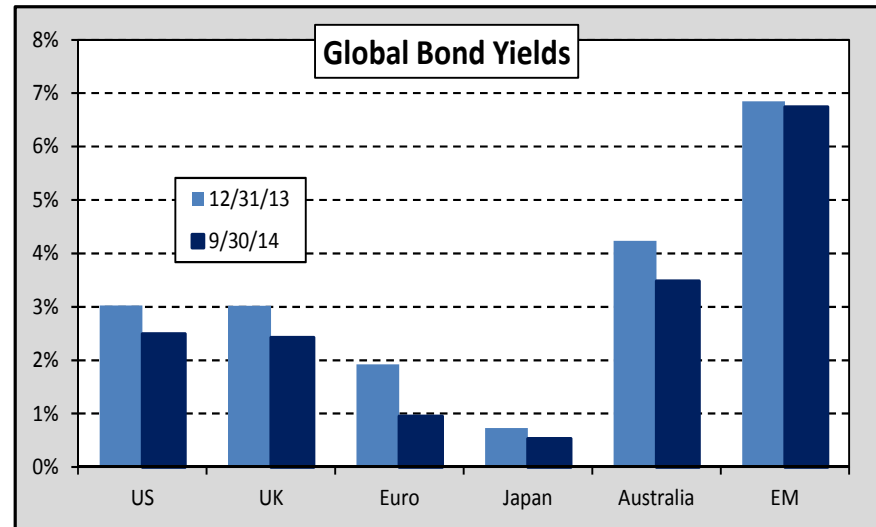


Source: US Treasury as of 9/30



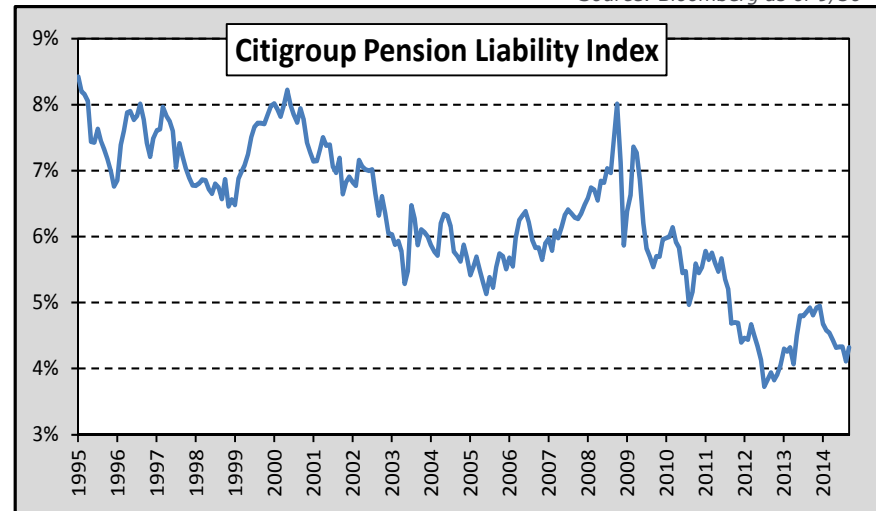
Fed Funds rate target remained at 0.25% while the 10 Yr. Treasury Yield finished September at 2.49%

Source: Bloomberg as of 9/30



Bond yields across the globe have mostly declined in 2014

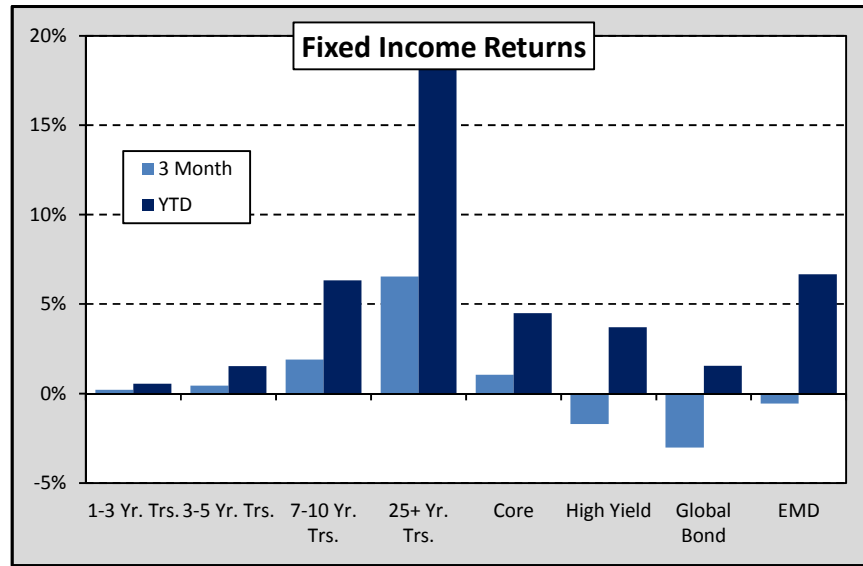
Source: Bloomberg as of 9/30



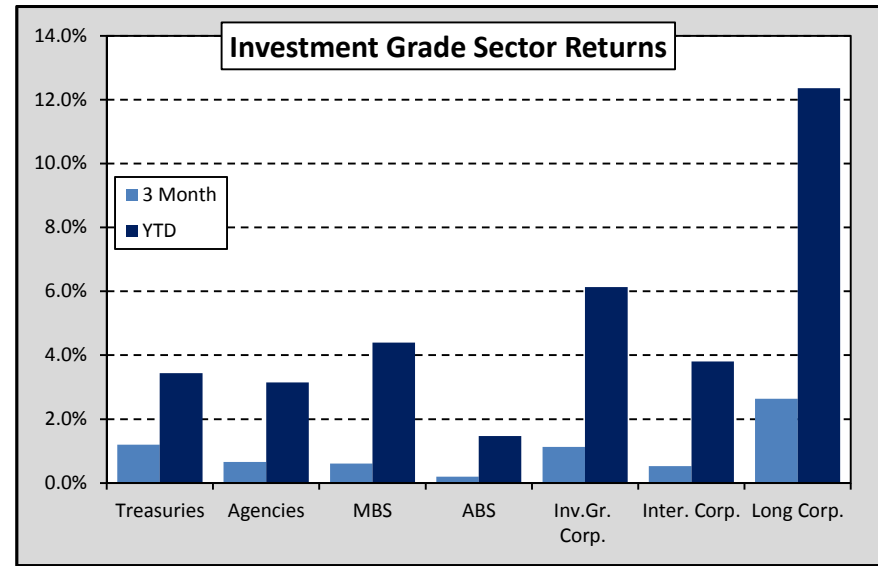
The Citi Pension discount rate stayed flat at 4.32% through September

Source: Citigroup as of 9/30

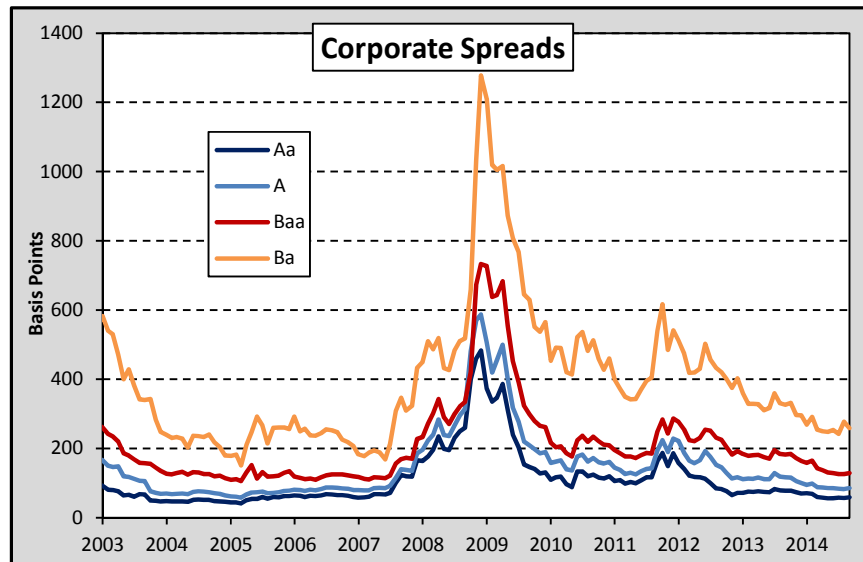
## Fixed Income Performance



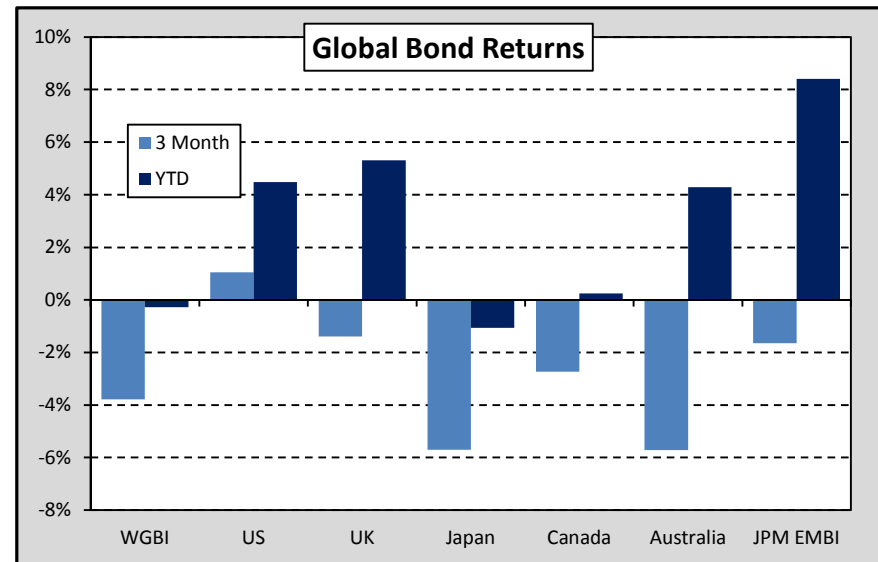
Source: Barclays as of 9/30



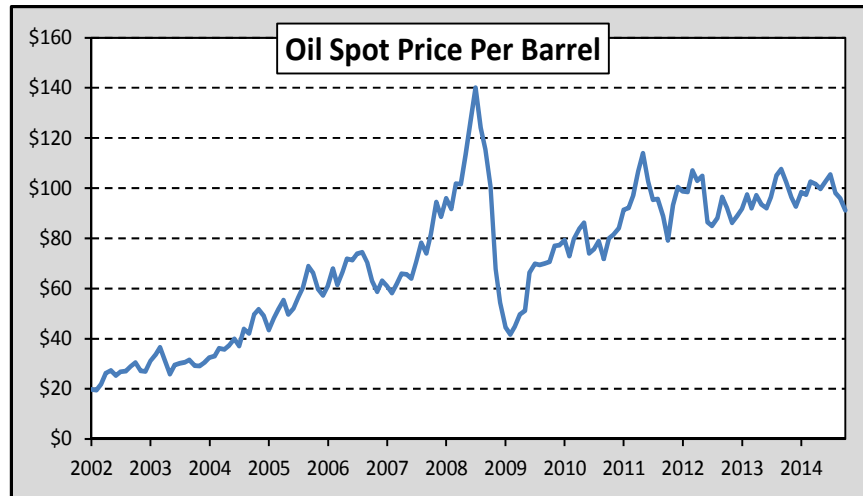
Source: Barclays as of 9/30



Source: Barclays as of 9/30

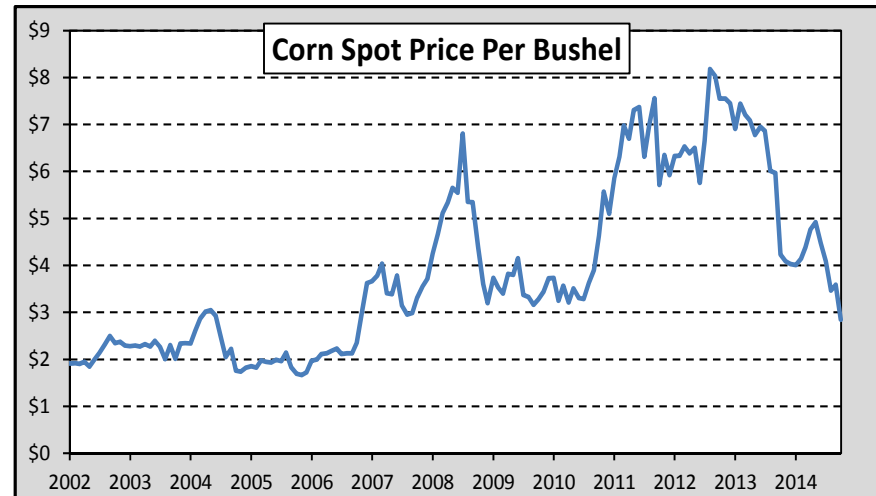


Source: Barclays, Bloomberg as of 9/30



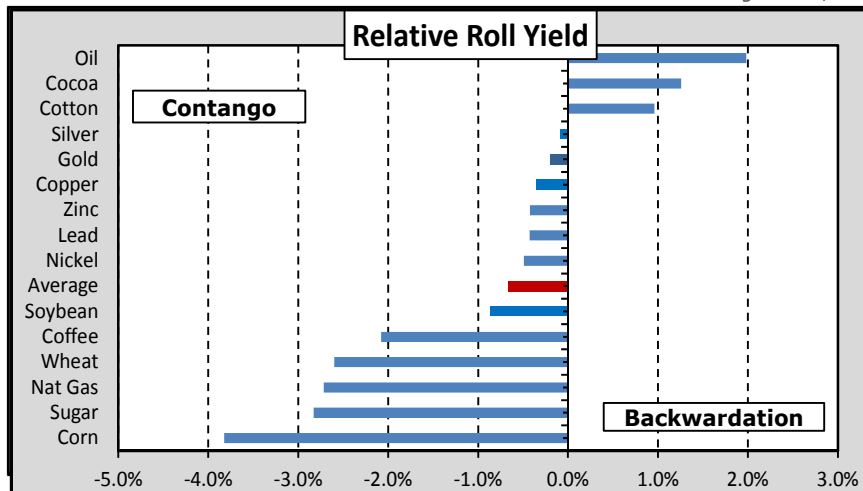
Oil prices finished September down at \$91.16 per barrel

Source: Bloomberg as of 9/30



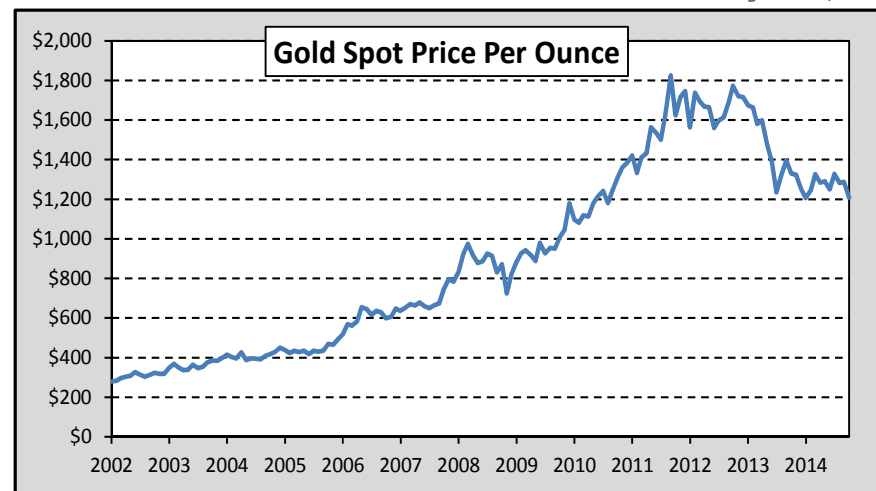
Corn prices finished September down at \$2.84 per bushel

Source: Bloomberg as of 9/30



Many commodity futures' prices are backwardated, meaning a higher forward price is expected relative to the current spot

Source: Bloomberg as of 9/30



Gold prices finished September down at \$1,208.16 per ounce

Source: Bloomberg as of 9/30

## Reporting Methodology

- **The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.**
- **Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of Return are annualized when the time period is longer than a year. Performance is presented gross and/or net of fees as indicated.**
- **For managers funded in the middle of a month, the 'since inception' return will start with the first full month, although actual inception dates and cash flows are included in all respective Composite calculations.**
- **This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.**

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