

# FUND EVALUATION REPORT

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## San Jose Federated City Employees' Retirement System

Quarterly Review  
December 31, 2014



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**Data is provided for informational purposes only, may not be complete, and cannot be relied upon for any purpose other than for discussion.**

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

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**Executive Summary  
As of December 31, 2014**

The value of the San Jose Federated City Employees' Retirement System assets was \$2.070 billion on December 31, 2014, a decrease of approximately \$56.1 million since the end of the previous quarter.

- Net outflows during the fourth quarter totaled approximately \$42 million.
- During the fourth quarter, the Fund's net-of-fees performance, including the impact of the overlay, was -0.7%; excluding the overlay, the Fund returned -0.6% net of fees. Fiscal year-to-date performance was -2.1% net of fees, including the overlay, and -1.9% net of fees without the overlay.
- During the fourth quarter, the Fund, excluding the overlay, outperformed the Policy Benchmark by approximately 0.6%; with the overlay, the outperformance relative to the Policy Benchmark was 0.5%.
  - A primary driver of outperformance was Private Real Estate, which ended the fourth quarter up 28.8%, outpacing the NCREIF Property Benchmark by 25.8% on a time-weighted basis. Private Real Estate also outperformed significantly for the fiscal year-to-date, at 34.3%, compared to a benchmark return of 5.7%.
  - Other contributors to the outperformance included equity assets, which outperformed the benchmark in all sub-asset groups. Global Equity finished the fourth quarter up 0.7%, relative to the MSCI ACWI IMI at 0.6%; Long-short Equity ended the year up 4.2%, relative to a flat HFRI Equity Hedge (Long/Short Equity) benchmark; and Private Equity ended the quarter up 1.1%, relative to the benchmark return of 0.2%.
  - A few asset classes muted the outperformance, including Commodities, which ended the fourth quarter down -10.6%, though commodities outperformed the Custom Risk Parity Commodity Benchmark by 1.2%.

## Manager Highlights

- Vontobel Emerging Market Equity outperformed the MSCI Emerging Markets Index during the fourth quarter, returning -2.6% net of fees, compared to -4.5% for the benchmark. Primary contributors to the outperformance included an underweight position in Russia and the global energy sector. Vontobel's performance remains in the top decile of the emerging markets equity peer group for calendar year 2014.
- Cove Street Small Cap Value returned 0.3% for the quarter, net of fees, underperforming the Russell 2000 Value Index by 910 basis points. The concentrated portfolio has multiple positions that suffered as a result of the drop in oil prices. Through the third quarter, the fund was outperforming its benchmark since they were hired by the System.
- Artisan Global Value returned 2.8% in the fourth quarter, net of fees, outperforming the MSCI ACWI Value index by 380 basis points. The top five best performing stocks in the quarter were all from the U.S. (Oracle, Microsoft, Applied Materials, Medtronic and Cisco), as were nine of the top ten companies.
- Aberdeen Frontier Markets declined on an absolute basis, returning -7.9%, net of fees, for the quarter, but outperformed the MSCI Frontier Markets by 4.6%. A lack of direct exposure to the oil and gas industries, as well as large exposure to oil-importing nations were the biggest contributors to relative performance.

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation	Comments
Artisan	Global Equity	Yes	---	Hold	Large cash position
Cove Street Capital	Small Cap Equity	---	---	---	
Vontobel	Emerging Market Equity	---	---	---	
Aberdeen	Frontier Market Equity	---	---	---	
Amici Offshore	Long-Short Equity	---	---	---	
Horizon Portfolio I	Long-Short Equity	---	---	---	
Marshall Wace Eureka	Long-Short Equity	---	---	---	
Sandler Plus	Long-Short Equity	---	---	---	
Senator Global Opportunity	Long-Short Equity	---	---	---	
Credit Suisse	Commodities	---	---	---	
First Quadrant	Commodities	Yes	---	Hold	CTO to Partner
GSO	Private Debt	---	---	---	
Medley	Private Debt	---	---	---	
White Oak	Private Debt	---	---	---	
Claren Road Credit	Long-Short Credit	---	Yes	Hold	Notable Performance
Davidson Kempner Institutional	Long-Short Credit	---	---	---	

**Artisan**

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

**First Quadrant**

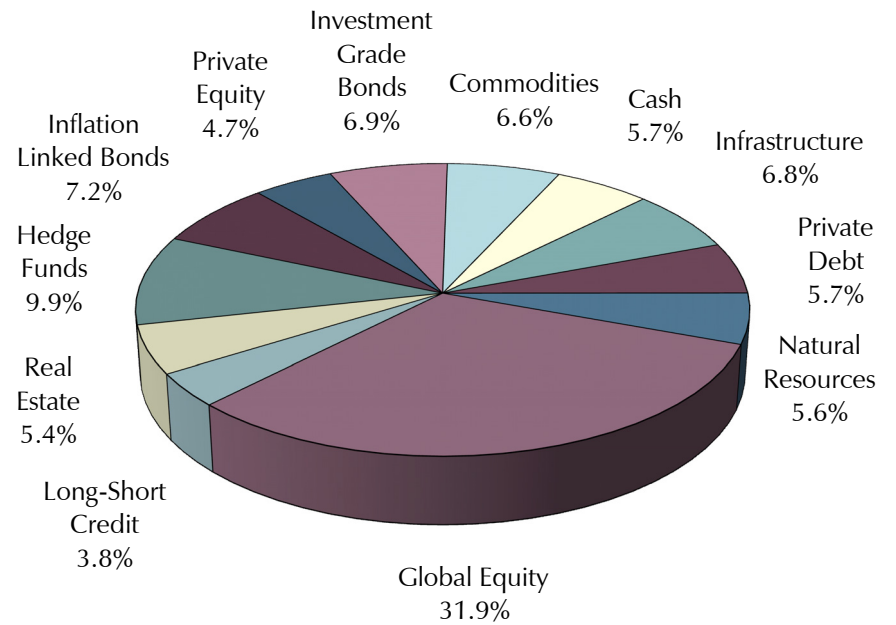
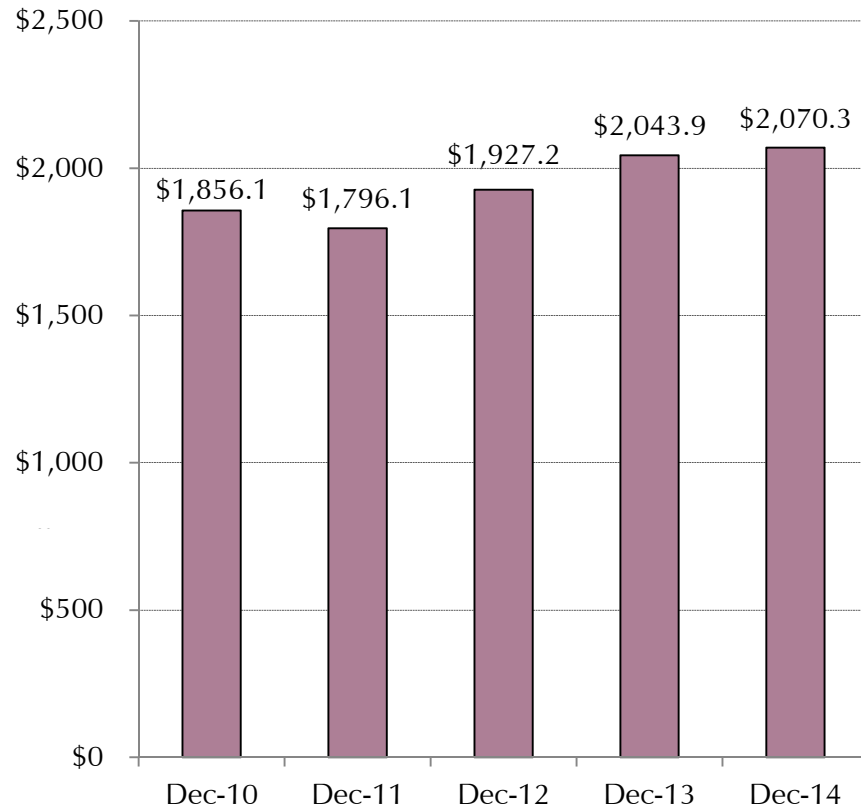
- Scott England, Chief Technology Officer, was admitted to the First Quadrant Partnership during Q4, 2014.

**Claren Road Credit**

- Claren Road Credit Fund's fiscal year-to-date performance of -12.6% significantly underperformed the HFRI RV Fixed Income-Corporate Index benchmark, which was down -2.9% over the same period. Consequently, Claren Road's fourth quarter performance of -11% was also notably below the benchmark's return of -1.9% as well. The Claren Road investment has been analyzed and discussed at the Investment Committee and Board level during 4Q14, and will continue to be monitored intensively by staff and consultants.



**Plan Summary  
As of December 31, 2014**



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

	Market Value 12/31/14 (\$ mm)	% of Retirement System	Russell Overlay Net Position <sup>1</sup> (%)	Target Allocation (%)	Target Range (%)	Market Value 9/30/14 (\$ mm)
<b>Total Fund Aggregate</b>	<b>2,070.3</b>	<b>100.0</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>2,126.4</b>
<b>Equity Assets</b>	<b>757.9</b>	<b>36.6</b>	<b>37.2</b>	<b>37</b>	<b>30-44</b>	<b>811.2</b>
Global Equity <sup>2</sup>	659.8	31.9	32.5	28	20-36	587.1
<i>Long-Short Equity</i>	112.6	5.4	5.2	6	3-9	0.0
Private Equity <sup>3</sup>	98.1	4.7	4.7	9	4-14	100.2
<b>Fixed Income Assets</b>	<b>486.5</b>	<b>23.5</b>	<b>23.6</b>	<b>24</b>	<b>14-34</b>	<b>405.2</b>
Investment Grade Bonds	143.6	6.9	6.7	5	4-8	0.0
Inflation Linked Bonds	148.1	7.2	7.3	5	4-8	0.0
Global Credit	194.8	9.4	9.5	14	6-22	0.0
<i>Long-Short Credit</i>	77.8	3.8	3.9	4	0-6	0.0
<i>Private Debt</i> <sup>2</sup>	117.0	5.7	5.6	NA	NA	112.7
<b>Real Assets</b>	<b>504.0</b>	<b>24.3</b>	<b>24.9</b>	<b>23</b>	<b>15-30</b>	<b>418.8</b>
Real Estate	111.2	5.4	5.4	7	4-10	123.9
Natural Resources	115.5	5.6	5.5	5	2-8	127.4
Infrastructure	140.1	6.8	6.7	5	2-8	137.9
Commodities	137.2	6.6	7.2	6	2-10	153.5
<b>Absolute Return Assets</b>	<b>204.7</b>	<b>9.9</b>	<b>9.6</b>	<b>11</b>	<b>6-16</b>	<b>393.1</b>
<b>Strategic Discretionary Investment Partner</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5</b>	<b>0-7</b>	<b>0.0</b>
<b>Cash<sup>4</sup></b>	<b>117.2</b>	<b>5.7</b>	<b>4.8</b>	<b>0</b>	<b>0-5</b>	<b>98.2</b>

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

<sup>2</sup> Global Equity includes <\$0.1 million of residuals from terminated managers or previous transitions.

<sup>3</sup> Fair values are based on reported value as of 9/30/14, adjusted for cash flows through 12/31/14.

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

## San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/14

	Market Value 12/31/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/14 (\$ mm)
<b>Total Fund Aggregate</b>	<b>2,070.3</b>	<b>NA</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>2,126.4</b>
<b>Equity Assets</b>	<b>757.9</b>	<b>100.0</b>	<b>36.6</b>	<b>37</b>	<b>30-44</b>	<b>811.2</b>
<b>Global Equity<sup>1</sup></b>	<b>659.8</b>	<b>100.0</b>	<b>31.9</b>	<b>28</b>	<b>20-36</b>	<b>587.1</b>
Artisan Global Value	169.5	25.7	8.2			164.6
Vontobel Emerging Markets Equity	141.4	21.4	6.8			145.2
Northern Trust Russell 3000 Index <sup>2</sup>	100.4	15.2	4.8			136.8
Northern Trust MSCI EAFE Index-NL <sup>2</sup>	63.5	9.6	3.1			65.8
Cove Street Small Cap Value	30.3	4.6	1.5			30.1
Northern Trust EAFE Small Cap <sup>2</sup>	22.6	3.4	1.1			23.1
Aberdeen Frontier Markets	19.5	3.0	0.9			21.1
<b>Long-Short Equity<sup>3</sup></b>	<b>112.6</b>	<b>100.0</b>	<b>5.4</b>	<b>6</b>	<b>3-9</b>	<b>0.0</b>
Senator Global Opportunity Offshore Fund	24.8	22.1	1.2			24.0
Horizon Portfolio I	23.2	20.6	1.1			22.6
Sandler Plus Offshore Fund Ltd	22.4	19.9	1.1			20.7
Marshall Wace Eureka Fund	21.8	19.4	1.1			20.7
Amici Offshore, Ltd.	20.4	18.1	1.0			19.9

<sup>1</sup> Global Equity includes <\$0.1 million of residuals from terminated manager and previous transactions.

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

<sup>3</sup> NAV and performance provided by Albourne.



	Market Value 12/31/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/14 (\$ mm)
<b>Equity Assets (continued)</b>						
<b>Private Equity<sup>1</sup></b>	<b>98.1</b>	<b>100.0</b>	<b>4.7</b>	<b>9</b>	<b>4-14</b>	<b>100.2</b>
Pantheon USA Fund VII	33.7	34.3	1.6			34.8
Pathway Private Equity Fund VIII	22.6	23.0	1.1			22.1
Pantheon Global Secondary Fund III 'B'	17.2	17.5	0.8			18.7
Partners Group Secondary 2011	12.5	12.8	0.6			12.5
Partners Group Secondary 2008	7.7	7.9	0.4			8.0
Great Hill Equity Partners IV	4.4	4.5	0.2			4.1
<b>Fixed Income Assets</b>						
<b>Investment Grade Bonds</b>	<b>143.6</b>	<b>100.0</b>	<b>6.9</b>	<b>5</b>	<b>4-8</b>	<b>0.0</b>
Northern Trust Intermediate Gov't 1-10 Year <sup>2</sup>	143.6	100.0	6.9			142.2
<b>Inflation Linked Bonds</b>	<b>148.1</b>	<b>100.0</b>	<b>7.2</b>	<b>5</b>	<b>4-8</b>	<b>0.0</b>
Northern Trust 0-5 Year TIPS	148.1	100.0	7.2			150.3

<sup>1</sup> Fair values are based on reported value as of 9/30/14, adjusted for cash flows through 12/31/14.

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

## San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/14

	Market Value 12/31/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/14 (\$ mm)
<b>Fixed Income Assets (continued)</b>						
<b>Global Credit</b>	<b>194.8</b>	<b>100.0</b>	<b>9.4</b>	<b>14</b>	<b>6-22</b>	<b>196.3</b>
<b>Long-Short Credit<sup>1</sup></b>	<b>77.8</b>	<b>100.0</b>	<b>3.8</b>	<b>4</b>	<b>0-6</b>	<b>83.6</b>
Claren Road Credit Fund	43.9	56.5	2.1			49.3
Davidson Kempner Institutional Partners, L.P.	33.9	43.5	1.6			34.3
<b>Private Debt<sup>2</sup></b>	<b>117.0</b>	<b>100.0</b>	<b>5.7</b>	<b>NA</b>	<b>NA</b>	<b>112.7</b>
Medley Opportunity Fund II, L.P.	52.1	44.5	2.5			48.1
White Oak Direct Lending	44.6	38.2	2.2			40.6
GSO Direct Lending	20.3	17.3	1.0			24.0
<b>Real Assets</b>	<b>504.0</b>	<b>100.0</b>	<b>24.3</b>	<b>23</b>	<b>15-30</b>	<b>418.8</b>
<b>Real Estate</b>	<b>111.2</b>	<b>100.0</b>	<b>5.4</b>	<b>7</b>	<b>4-10</b>	<b>123.9</b>
<b>Core Real Estate</b>	<b>76.4</b>	<b>68.6</b>	<b>3.7</b>			<b>74.4</b>
PRISA I	39.3	35.3	1.9			37.9
American Core Realty Fund, LLC	37.1	33.3	1.8			36.5

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

<sup>2</sup> Fair values are based on reported values as of 9/30/14, adjusted for cash flows through 12/31/14.



	Market Value 12/31/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/14 (\$ mm)
<b>Real Assets (continued)</b>						
<b>Private Real Estate<sup>1</sup></b>	<b>34.9</b>	<b>31.4</b>	<b>1.7</b>	<b>NA</b>	<b>NA</b>	<b>49.5</b>
DRA Growth and Income Fund VII, LLC	14.8	13.3	0.7			14.9
DRA Growth and Income Fund V	6.3	5.7	0.3			17.3
Fidelity Real Estate Growth Fund III	6.2	5.6	0.3			6.0
DRA Growth and Income Fund VI	3.6	3.2	0.2			7.9
DRA Growth & Income Fund VIII	2.6	2.3	0.1			1.3
GEAM Value Add Realty Partners, L.P.	1.4	1.3	< 0.1			2.1
<b>Natural Resources</b>	<b>115.5</b>	<b>100.0</b>	<b>5.6</b>	<b>5</b>	<b>2-8</b>	<b>127.4</b>
Northern Trust Global LargeMid NR <sup>2</sup>	115.5	100.0	5.6			127.4
<b>Infrastructure</b>	<b>140.1</b>	<b>100.0</b>	<b>6.8</b>	<b>5</b>	<b>2-8</b>	<b>137.9</b>
SSgA Dow Jones Brookfield Infrastructure Index	140.1	100.0	6.8			137.9
<b>Commodities</b>	<b>137.2</b>	<b>100.0</b>	<b>6.6</b>	<b>6</b>	<b>2-10</b>	<b>153.5</b>
First Quadrant Risk Parity Commodity Index	72.9	53.1	3.5			80.7
CS Risk Parity Commodity Index	64.3	46.9	3.1			72.8

<sup>1</sup> Fair values are based on reported value as of 9/30/14, adjusted for cash flows through 12/31/14.

<sup>2</sup> Market value based on manager reported data because of discrepancy with custodian bank.

## San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/14

	Market Value 12/31/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/14 (\$ mm)
<b>Absolute Return Assets<sup>1</sup></b>	<b>204.7</b>	<b>100.0</b>	<b>9.9</b>	<b>11</b>	<b>6-16</b>	<b>393.1</b>
<b>Relative Value</b>	<b>137.2</b>	<b>67.0</b>	<b>6.6</b>	<b>NA</b>	<b>NA</b>	<b>136.5</b>
DE Shaw	37.5	18.3	1.8			36.6
Pine River Fund Ltd	34.6	16.9	1.7			34.4
Arrowgrass International Fund Ltd	34.4	16.8	1.7			33.8
Hudson Bay Fund	30.6	15.0	1.5			31.7
<b>Global Macro</b>	<b>67.5</b>	<b>33.0</b>	<b>3.3</b>	<b>NA</b>	<b>NA</b>	<b>64.9</b>
Brevan Howard Multi-Strategy Fund Ltd	31.3	15.3	1.5			31.2
BlueCrest	19.0	9.3	0.9			17.9
Kepos Alpha Fund	17.3	8.4	0.8			15.8
<b>Cash<sup>2</sup></b>	<b>117.2</b>	<b>100.0</b>	<b>5.7</b>	<b>0</b>	<b>0-5</b>	<b>98.2</b>

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

<sup>2</sup> Cash includes the cash account, cash equitized in the Russell Investments Overlay program, cash from private manager distributions, and residuals from the Terminated Manager Account.





	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate<sup>2</sup></b>	<b>-0.7</b>	<b>-2.1</b>	<b>4.2</b>	<b>7.5</b>	<b>6.7</b>	<b>5.1</b>	<b>1/1/94</b>	<b>7.4</b>
<b>Net of Fees<sup>3</sup></b>	<b>-0.7</b>	<b>-2.1</b>	<b>4.1</b>	<b>7.4</b>	<b>6.6</b>	<b>4.9</b>		<b>7.2</b>
<b>Total Fund Aggregate ex Overlay</b>	<b>-0.5</b>	<b>-1.8</b>	<b>4.3</b>	<b>7.5</b>	<b>6.7</b>	<b>5.1</b>	<b>1/1/94</b>	<b>7.4</b>
<b>Net of Fees ex Overlay</b>	<b>-0.6</b>	<b>-1.9</b>	<b>4.2</b>	<b>7.4</b>	<b>6.6</b>	<b>4.9</b>		<b>7.2</b>
<i>CPI (inflation)</i>	-1.4	-1.5	0.8	1.3	1.7	2.1		2.3
<i>San Jose FCERS Policy Benchmark<sup>4</sup></i>	-1.2	-2.1	3.4	8.0	7.2	5.5		7.4
<i>San Jose FCERS Custom Benchmark<sup>5</sup></i>	-1.3	-2.2	3.1	7.7	NA	NA		NA
<i>Public Pensions &gt;\$1 Billion<sup>6</sup></i>	1.0	-0.3	5.1	10.9	9.1	6.2		NA

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

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

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

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

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

<sup>6</sup> Universe data provided by InvestorForce. Returns are net of fees.



	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate</b>								
<b>Equity Assets</b>	<b>0.8</b>	<b>0.2</b>	<b>7.6</b>	<b>14.1</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>14.1</b>
Global Equity	0.7	-1.7	5.3	14.2	NA	NA	5/1/10	9.7
<i>MSCI ACWI IMI</i>	0.6	-2.3	3.8	14.3	9.5	6.4		9.2
Long-Short Equity <sup>2</sup>	4.2	NA	NA	NA	NA	NA	10/1/14	4.2
<i>HFR1 Equity Hedge (Long/Short Equity)</i>	0.0	-1.4	1.8	7.7	4.8	4.7		0.0
Private Equity <sup>3</sup>	1.1	7.1	18.6	14.2	13.8	NA	1/1/06	6.5
<i>Venture Economics PE Composite<sup>4</sup></i>	0.2	3.4	13.9	15.5	14.8	13.0		11.2
<b>Fixed Income</b>	<b>-0.9</b>	<b>-1.5</b>	<b>1.3</b>	<b>3.2</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>3.2</b>
<i>Barclays Global Aggregate</i>	-1.0	-4.1	0.6	0.7	2.6	3.6		0.7
Investment Grade Bonds	1.0	NA	NA	NA	NA	NA	10/1/14	1.0
<i>Barclays Intermediate Gov't Bond Index</i>	0.9	1.0	2.5	1.0	2.8	3.8		0.9
Inflation Linked Bonds	-1.5	NA	NA	NA	NA	NA	10/1/14	-1.5
<i>Barclays U.S. TIPS 0-5 Years</i>	-1.5	-2.9	-1.1	-0.1	1.5	2.9		-1.5
Global Credit	-1.9	NA	NA	NA	NA	NA	10/1/14	-1.9
Long-Short Credit	-7.0	NA	NA	NA	NA	NA	10/1/14	-7.0
<i>HFRX Fixed Income - Credit Index</i>	-3.3	-5.0	-1.8	4.2	3.7	7.0		-3.3
Private Debt <sup>3</sup>	2.0	1.9	7.0	9.0	NA	NA	12/1/10	7.3
<i>3 Month Libor + 5%</i>	1.3	2.6	5.3	5.3	5.3	7.1		5.3

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

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

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

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

	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate (continued)</b>								
<b>Real Assets</b>	<b>-3.1</b>	<b>-9.3</b>	<b>2.2</b>	<b>-2.0</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>0.2</b>
Real Estate <sup>2</sup>	9.7	13.6	21.1	14.0	12.9	6.4	1/1/94	8.9
Core Real Estate	2.6	5.7	11.5	11.1	12.7	NA	7/1/09	8.9
<i>NCREIF ODCE Equal Weighted (net)</i>	2.9	6.2	11.4	11.2	12.7	5.8		8.9
Private Real Estate <sup>3</sup>	28.8	34.3	45.2	20.9	15.4	NA	7/1/09	6.1
<i>NCREIF Property</i>	3.0	5.7	11.8	11.2	12.2	8.4		9.9
Natural Resources	-9.3	-16.4	-9.2	NA	NA	NA	11/1/12	-5.0
<i>S&amp;P Global Natural Resources</i>	-8.4	-15.5	-9.7	-0.6	-1.5	6.2		-3.0
Infrastructure	1.6	0.2	NA	NA	NA	NA	3/1/14	13.1
<i>DJ Brookfield Global Infrastructure Index</i>	1.4	0.0	16.3	16.1	14.9	11.7		12.3
Commodities	-10.6	-18.7	-8.5	-7.1	NA	NA	5/1/10	-2.7
<i>Custom Risk Parity Commodity Benchmark<sup>4</sup></i>	-11.8	-18.1	-8.7	-5.6	NA	NA		NA
<b>Absolute Return<sup>5</sup></b>	<b>1.7</b>	<b>2.9</b>	<b>4.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>5.3</b>
Absolute Return	0.5	NA	NA	NA	NA	NA	10/1/14	0.5
<i>HFRI Relative Value Index</i>	-1.0	-0.8	3.9	7.2	6.6	6.3		-1.0
Global Macro	4.1	NA	NA	NA	NA	NA	10/1/14	4.1
<i>HFRI Macro Systematic Diversified</i>	5.6	10.4	10.6	2.2	2.5	6.8		5.6
<b>Russell Investments Overlay<sup>6</sup></b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.1</b>	<b>NA</b>	<b>NA</b>	<b>11/1/11</b>	<b>0.1</b>

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

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

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

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

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

<sup>6</sup> Overlay returns provided by Russell Investments.

	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity Assets</b>	<b>0.8</b>	<b>0.2</b>	<b>7.6</b>	<b>14.1</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>14.1</b>
<b>Global Equity</b>	<b>0.7</b>	<b>-1.7</b>	<b>5.3</b>	<b>14.2</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>9.7</b>
Artisan Global Value	3.0	-0.2	6.1	19.6	NA	NA	3/1/11	15.0
Net of Fees	2.8	-0.5	5.5	19.0	NA	NA		14.4
<i>MSCI ACWI Value</i>	-1.0	-3.8	2.9	13.3	8.2	5.4		6.5
Vontobel Emerging Markets Equity	-2.4	-3.3	6.6	NA	NA	NA	7/1/13	4.1
Net of Fees	-2.6	-3.7	5.7	NA	NA	NA		3.2
<i>MSCI Emerging Markets</i>	-4.5	-7.8	-2.2	4.0	1.8	8.4		3.5
Northern Trust Russell 3000 Index	5.3	5.3	12.7	20.6	15.8	8.1	9/1/99	5.7
Net of Fees	5.3	5.3	12.6	20.6	15.7	8.1		5.7
<i>Russell 3000</i>	5.2	5.3	12.6	20.5	15.6	7.9		5.6
Northern Trust MSCI EAFE Index-NL	-3.6	-9.2	-4.6	NA	NA	NA	11/1/12	10.5
Net of Fees	-3.6	-9.2	-4.7	NA	NA	NA		10.5
<i>MSCI EAFE</i>	-3.6	-9.2	-4.9	11.1	5.3	4.4		10.2
Cove Street Small Cap Value	0.5	-6.0	NA	NA	NA	NA	5/1/14	0.8
Net of Fees	0.3	-6.4	NA	NA	NA	NA		0.5
<i>Russell 2000 Value</i>	9.4	0.0	4.2	18.3	14.3	6.9		5.1

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



	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity Assets (continued)</b>								
Northern Trust EAFE Small Cap	-2.0	-9.7	-4.6	NA	NA	NA	11/1/12	12.8
Net of Fees	-2.0	-9.7	-4.7	NA	NA	NA		12.7
<i>MSCI EAFE Small Cap</i>	-2.3	-9.9	-4.9	13.8	8.6	6.0		12.5
Aberdeen Frontier Markets	-7.5	-7.1	-2.3	NA	NA	NA	12/1/13	-1.4
Net of Fees	-7.9	-7.8	-3.8	NA	NA	NA		-2.9
<i>MSCI Frontier Markets</i>	-12.5	-11.1	6.8	13.6	8.0	5.3		8.4
<i>MSCI Frontier Markets ex GCC</i>	-11.6	-11.2	-3.3	11.7	3.8	5.4		-2.8
<b>Long-Short Equity</b>	<b>4.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>4.2</b>
Senator Global Opportunity Offshore Fund	3.4	3.8	7.6	NA	NA	NA	4/1/13	13.2
<i>HFRI Event Driven Index</i>	-1.5	-3.2	1.0	7.3	6.0	5.6		5.3
Horizon Portfolio I	2.3	5.4	9.3	NA	NA	NA	7/1/13	10.3
<i>HFRI Equity Hedge (Long/Short Equity)</i>	0.0	-1.4	1.8	7.7	4.8	4.7		7.2
Sandler Plus Offshore Fund Ltd	8.1	10.2	5.7	NA	NA	NA	5/1/13	7.0
<i>HFRI Equity Hedge (Long/Short Equity)</i>	0.0	-1.4	1.8	7.7	4.8	4.7		6.2
Marshall Wace Eureka Fund	4.0	7.0	NA	NA	NA	NA	4/1/14	7.5
<i>HFRI Equity Hedge (Long/Short Equity)</i>	0.0	-1.4	1.8	7.7	4.8	4.7		0.7
Amici Offshore, Ltd.	2.3	-2.7	-0.2	NA	NA	NA	3/1/13	1.1
<i>HFRI Equity Hedge (Long/Short Equity)</i>	0.0	-1.4	1.8	7.7	4.8	4.7		6.5

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



	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity Assets (continued)</b>								
<b>Private Equity<sup>2,3</sup></b>	<b>1.1</b>	<b>7.1</b>	<b>18.6</b>	<b>14.2</b>	<b>13.8</b>	<b>NA</b>	<b>1/1/06</b>	<b>6.5</b>
Pantheon USA Fund VII	2.2	8.9	21.7	16.5	14.2	NA	1/1/07	NA
<i>Venture Economics PE Composite<sup>4</sup></i>	0.2	3.4	13.9	15.5	14.8	13.0		10.3
Pathway Private Equity Fund VIII	2.0	6.6	20.2	17.1	16.7	NA	8/1/04	NA
<i>Venture Economics PE Composite<sup>4</sup></i>	0.2	3.4	13.9	15.5	14.8	13.0		13.0
Pantheon Global Secondary Fund III	-5.0	-1.6	4.5	3.2	5.3	NA	1/1/07	NA
<i>Venture Economics PE Composite<sup>4</sup></i>	0.2	3.4	13.9	15.5	14.8	13.0		10.3
Partners Group Secondary 2011	3.5	16.5	28.1	NA	NA	NA	11/1/12	41.4
<i>Venture Economics PE Composite<sup>4</sup></i>	0.2	3.4	13.9	15.5	14.8	13.0		16.6
Partners Group Secondary 2008	-2.7	2.0	13.1	11.3	15.6	NA	12/1/08	NA
<i>Venture Economics PE Composite<sup>4</sup></i>	0.2	3.4	13.9	15.5	14.8	13.0		9.4
Great Hill Equity Partners IV	16.1	19.6	39.5	28.7	26.8	NA	10/1/08	NA
<i>Venture Economics PE Composite<sup>4</sup></i>	0.2	3.4	13.9	15.5	14.8	13.0		9.1

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

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

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

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

	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Fixed Income</b>	<b>-0.9</b>	<b>-1.5</b>	<b>1.3</b>	<b>3.2</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>3.2</b>
<b>Investment Grade Bonds</b>	<b>1.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>1.0</b>
Northern Trust 1-10 Year Intermediate Government Bond Index	1.0	0.9	2.5	NA	NA	NA	10/1/12	0.6
Net of Fees	1.0	0.9	2.5	NA	NA	NA		0.5
<i>Barclays Intermediate Gov't Bond Index</i>	0.9	1.0	2.5	1.0	2.8	3.8		0.6
<b>Inflation Linked Bonds</b>	<b>-1.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>-1.5</b>
Northern Trust 0-5 Year TIPS	-1.5	-2.9	NA	NA	NA	NA	7/1/14	-2.9
Net of Fees	-1.5	-2.9	NA	NA	NA	NA		-2.9
<i>Barclays U.S. TIPS 0-5 Years</i>	-1.5	-2.9	-1.1	-0.1	1.5	2.9		-2.9
<b>Global Credit</b>	<b>-1.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>-1.9</b>
<b>Long-Short Credit</b>	<b>-7.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>-7.0</b>
Claren Road Credit Fund	-11.0	-12.6	-10.3	NA	NA	NA	7/1/13	-7.8
<i>HFRI RV Fixed Income-Corporate Index</i>	-2.4	-3.4	1.2	5.9	6.0	4.4		3.6
Davidson Kempner Institutional Partners, L.P.	-1.3	-1.3	4.5	NA	NA	NA	2/1/13	6.5
<i>HFRI Event Driven Index</i>	-1.5	-3.2	1.0	7.3	6.0	5.6		5.6

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



	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Fixed Income (continued)</b>								
<b>Private Debt<sup>2</sup></b>	<b>2.0</b>	<b>1.9</b>	<b>7.0</b>	<b>9.0</b>	<b>NA</b>	<b>NA</b>	<b>12/1/10</b>	<b>7.3</b>
Medley Opportunity Fund II, L.P.	2.2	4.2	9.5	9.7	NA	NA	6/1/11	8.0
3 Month Libor + 5%	1.3	2.6	5.3	5.3	5.3	7.1		5.3
White Oak Direct Lending	2.2	-1.5	5.0	5.7	NA	NA	2/1/11	5.0
3 Month Libor + 5%	1.3	2.6	5.3	5.3	5.3	7.1		5.3
GSO Direct Lending	1.4	3.3	7.0	10.5	NA	NA	3/1/11	14.0
3 Month Libor + 5%	1.3	2.6	5.3	5.3	5.3	7.1		5.3
<b>Real Assets</b>								
<b>Real Estate<sup>3</sup></b>	<b>-3.1</b>	<b>-9.3</b>	<b>2.2</b>	<b>-2.0</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>0.2</b>
<b>Core Real Estate</b>	<b>2.6</b>	<b>5.7</b>	<b>11.5</b>	<b>11.1</b>	<b>12.7</b>	<b>NA</b>	<b>7/1/09</b>	<b>8.9</b>
PRISA I	3.8	7.1	13.3	12.5	15.0	6.8	7/1/04	7.1
Net of Fees	3.6	6.7	12.4	11.6	13.9	5.8		6.1
NCREIF ODCE Equal Weighted (net)	2.9	6.2	11.4	11.2	12.7	5.8		6.1
American Core Realty Fund, LLC	1.8	5.2	11.6	11.8	12.3	NA	1/1/07	4.2
Net of Fees	1.6	4.7	10.6	10.7	11.2	NA		3.1
NCREIF ODCE Equal Weighted (net)	2.9	6.2	11.4	11.2	12.7	5.8		3.1

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

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

<sup>3</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.





	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Real Assets (continued)</b>								
<b>Private Real Estate<sup>2</sup></b>	<b>28.8</b>	<b>34.3</b>	<b>45.2</b>	<b>20.9</b>	<b>15.4</b>	<b>NA</b>	<b>7/1/09</b>	<b>6.1</b>
DRA Growth and Income Fund VII, LLC	3.8	9.5	17.9	NA	NA	NA	4/1/12	16.0
<i>NCREIF Property</i>	3.0	5.7	11.8	11.2	12.2	8.4		11.2
DRA Growth and Income Fund V	20.4	23.4	28.5	12.4	8.5	NA	1/1/06	4.3
<i>NCREIF Property</i>	3.0	5.7	11.8	11.2	12.2	8.4		7.2
Fidelity Real Estate Growth Fund III	10.9	17.4	26.8	19.2	20.8	NA	1/1/08	-12.6
<i>NCREIF Property</i>	3.0	5.7	11.8	11.2	12.2	8.4		4.7
DRA Growth and Income Fund VI	34.8	38.5	51.2	20.2	17.6	NA	1/1/08	10.2
<i>NCREIF Property</i>	3.0	5.7	11.8	11.2	12.2	8.4		4.7
DRA Growth & Income Fund VIII	NA	NA	NA	NA	NA	NA	1/1/15	NA
<i>NCREIF Property</i>	3.0	5.7	11.8	11.2	12.2	8.4		NA
GEAM Value Add Realty Partners, L.P.	4.8	7.6	35.4	24.6	17.5	NA	1/1/07	-6.6
<i>NCREIF Property</i>	3.0	5.7	11.8	11.2	12.2	8.4		6.0
<b>Natural Resources</b>	<b>-9.3</b>	<b>-16.4</b>	<b>-9.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>-5.0</b>
Northern Trust Global Large MidCap Natural Resources	-9.3	-16.4	-9.2	NA	NA	NA	11/1/12	-5.0
Net of Fees	-9.3	-16.4	-9.2	NA	NA	NA		-5.0
<i>S&amp;P Global Large MidCap Commodity and Resources</i>	-9.5	-16.7	-9.5	-1.9	-0.4	8.4		-5.2

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

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



	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Real Assets (continued)</b>								
<b>Infrastructure</b>	<b>1.6</b>	<b>0.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>3/1/14</b>	<b>13.1</b>
SSgA Dow Jones Brookfield Infrastructure Index	1.6	0.2	NA	NA	NA	NA	3/1/14	13.1
Net of Fees	1.6	0.2	NA	NA	NA	NA		13.1
<i>DJ Brookfield Global Infrastructure Index</i>	1.4	0.0	16.3	16.1	14.9	11.7		12.3
<b>Commodities</b>	<b>-10.6</b>	<b>-18.7</b>	<b>-8.5</b>	<b>-7.1</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>-2.7</b>
First Quadrant Risk Parity Commodity Index <sup>2</sup>	-9.6	-20.1	-7.7	-8.7	NA	NA	4/1/11	-10.1
<i>Custom Risk Parity Commodity Benchmark</i> <sup>3</sup>	-11.8	-18.1	-8.7	-5.6	NA	NA		-7.7
<i>Bloomberg Commodity Index</i>	-12.1	-22.5	-17.0	-9.4	-5.5	-1.9		-12.1
Credit Suisse Compound Risk Parity Commodity Index <sup>2</sup>	-11.7	-17.7	-8.9	-5.5	NA	NA	4/1/11	-7.6
<i>Custom Risk Parity Commodity Benchmark</i> <sup>3</sup>	-11.8	-18.1	-8.7	-5.6	NA	NA		-7.7
<i>Bloomberg Commodity Index</i>	-12.1	-22.5	-17.0	-9.4	-5.5	-1.9		-12.1

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

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

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



	4Q14 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Absolute Return<sup>2</sup></b>	<b>1.7</b>	<b>2.9</b>	<b>4.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>5.3</b>
<b>Relative Value</b>	<b>0.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>0.5</b>
DE Shaw	2.5	6.0	16.2	NA	NA	NA	4/1/13	13.7
<i>HFRI Fund Weighted Composite Index</i>	0.2	-0.1	3.0	6.1	4.5	5.1		4.8
Pine River Fund Ltd	0.5	3.1	4.8	NA	NA	NA	1/1/13	7.4
<i>HFRI Relative Value Index</i>	-1.0	-0.8	3.9	7.2	6.6	6.3		5.5
Arrowgrass International Fund Ltd	2.1	0.4	3.4	NA	NA	NA	11/1/12	6.6
<i>HFRI Relative Value Index</i>	-1.0	-0.8	3.9	7.2	6.6	6.3		5.9
Hudson Bay Fund	-3.5	-3.7	-2.1	NA	NA	NA	8/1/13	1.5
<i>HFRI Relative Value Index</i>	-1.0	-0.8	3.9	7.2	6.6	6.3		5.2
<b>Global Macro</b>	<b>4.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>4.1</b>
Brevan Howard Multi-Strategy Fund Ltd	0.3	2.5	1.5	NA	NA	NA	12/1/12	2.0
<i>HFRI Macro Index</i>	2.4	4.7	5.7	1.7	1.7	4.3		3.0
BlueCrest	6.3	6.1	12.7	NA	NA	NA	4/1/13	-2.9
<i>Barclay BTOP50 Index</i>	7.8	11.8	12.0	3.5	2.5	3.6		6.0
Kepos Alpha Fund	9.3	21.7	22.3	NA	NA	NA	3/1/13	8.0
<i>HFRI Macro Systematic Diversified</i>	5.6	10.4	10.6	2.2	2.5	6.8		4.9

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

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



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Total Fund Aggregate<sup>1</sup></b>	<b>4.2</b>	<b>8.7</b>	<b>9.7</b>	<b>-1.5</b>	<b>13.0</b>	<b>19.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>
<b>Net of Fees<sup>2</sup></b>	<b>4.1</b>	<b>8.5</b>	<b>9.6</b>	<b>-1.6</b>	<b>12.8</b>	<b>19.1</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>
<b>Total Fund Aggregate ex Overlay</b>	<b>4.3</b>	<b>8.4</b>	<b>9.7</b>	<b>-1.4</b>	<b>13.0</b>	<b>19.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>
<b>Net of Fees ex Overlay</b>	<b>4.2</b>	<b>8.3</b>	<b>9.6</b>	<b>-1.6</b>	<b>12.8</b>	<b>19.1</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>
<i>CPI (inflation)</i>	0.8	1.5	1.7	3.0	1.5	2.7	0.1	4.1	2.5	3.4
<i>San Jose FCERS Policy Benchmark<sup>3</sup></i>	3.4	11.2	9.4	-1.7	14.4	19.0	-22.8	8.2	13.5	6.7
<i>San Jose FCERS Custom Benchmark<sup>4</sup></i>	3.1	9.8	10.2	-2.6	NA	NA	NA	NA	NA	NA
<i>Public Plans &gt; \$1 Billion Universe (Median)<sup>5</sup></i>	5.1	15.2	13.4	0.7	12.5	19.4	-24.2	7.9	NA	NA

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

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

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

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

<sup>5</sup> Universe data provided by InvestorForce. Prior to 2014, calendar year returns provided by InvestMetrics.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Total Fund Aggregate</b>	<b>4.2</b>	<b>8.7</b>	<b>9.7</b>	<b>-1.5</b>	<b>13.0</b>	<b>19.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>
<b>Equity Assets</b>	<b>7.6</b>	<b>20.3</b>	<b>14.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Global Equity	5.3	22.1	16.0	-6.9	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI IMI</i>	3.8	23.6	16.4	-7.9	14.3	36.4	-42.3	11.2	20.9	11.5
Long-Short Equity	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	1.8	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6
Private Equity <sup>1</sup>	18.6	14.6	9.5	15.6	10.9	-13.5	-4.0	15.5	-3.5	NA
<i>Venture Economics Private Equity Composite</i> <sup>2</sup>	13.9	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4
<b>Fixed Income</b>	<b>1.3</b>	<b>1.4</b>	<b>7.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>Barclays Global Aggregate</i>	0.6	-2.6	4.3	5.6	5.5	6.9	4.8	9.5	6.6	-4.5
Investment Grade Bonds	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays Intermediate Gov't Bond Index</i>	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	3.8	1.7
Inflation Linked Bonds	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays U.S. TIPS 0-5 Years</i>	-1.1	-1.6	2.4	4.5	3.3	10.7	-2.0	9.8	2.6	1.6
Global Credit	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Long-Short Credit	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRX Fixed Income - Credit Index</i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Private Debt <sup>3</sup>	7.0	9.2	10.8	2.8	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5

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

<sup>2</sup> The Venture Economics Private Equity Index was discontinued recently. Cambridge Associates Private Equity benchmarks were used for 2014, pending an evaluation of the most appropriate benchmark for future use.

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



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Total Fund Aggregate (continued)</b>										
<b>Real Assets</b>	<b>2.2</b>	<b>-8.1</b>	<b>0.2</b>	<b>-6.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>Custom Risk Parity Commodity Benchmark<sup>1</sup></i>	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>DJ Brookfield Global Infrastructure Index</i>	15.9	16.0	13.7	12.5	34.2	-36.4	16.3	36.7	11.0	32.9
<i>S&amp;P Global Large MidCap Commodity and Resources</i>	-2.6	7.1	-12.9	19.5	57.8	-46.1	59.3	30.5	29.1	NA
<i>CPI (inflation) + 5%</i>	6.6	6.8	8.1	6.6	7.8	5.1	9.3	7.7	8.7	8.5
<b>Absolute Return</b>	<b>4.8</b>	<b>5.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Absolute Return	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	3.9	7.1	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0
Global Macro	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Systematic Diversified</i>	10.6	-0.9	-2.5	-3.5	9.8	-1.7	18.1	10.4	16.9	14.4
<b>Russell Investments Overlay<sup>2</sup></b>	<b>-0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

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

<sup>2</sup> Overlay returns provided by Russell Investments.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Equity Assets</b>	<b>7.6</b>	<b>20.3</b>	<b>14.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Global Equity</b>	<b>5.3</b>	<b>22.1</b>	<b>16.0</b>	<b>-6.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Artisan Global Value	6.1	33.6	20.8	NA	NA	NA	NA	NA	NA	NA
Net of Fees	5.5	32.8	20.2	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI Value</i>	2.9	22.4	15.6	-7.3	10.2	31.7	-41.5	6.7	25.6	10.8
Vontobel Emerging Markets Equity	6.6	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	5.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Emerging Markets</i>	-2.2	-2.6	18.2	-18.4	18.9	78.5	-53.3	39.4	32.2	34.0
Northern Trust Russell 3000 Index	12.7	33.6	16.5	1.1	17.2	28.9	-37.3	5.3	15.8	6.2
Net of Fees	12.6	33.6	16.5	1.1	17.2	28.9	-37.3	5.2	15.8	6.2
<i>Russell 3000</i>	12.6	33.6	16.4	1.0	16.9	28.3	-37.3	5.1	15.7	6.1
Northern Trust MSCI EAFE Index-NL	-4.6	23.2	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-4.7	23.1	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE</i>	-4.9	22.8	17.3	-12.1	7.7	31.8	-43.4	11.2	26.3	13.5
Cove Street Small Cap Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Russell 2000 Value</i>	4.2	34.5	18.1	-5.5	24.5	20.6	-28.9	-9.8	23.5	4.7
Northern Trust EAFE Small Cap	-4.6	29.5	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-4.7	29.4	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Small Cap</i>	-4.9	29.3	20.0	-15.9	22.0	46.8	-47.0	1.4	19.3	26.2



	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Equity Assets (continued)</b>										
Aberdeen Frontier Markets	-2.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-3.8	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Frontier Markets</i>	6.8	25.9	8.9	-18.7	23.8	11.6	-54.1	41.9	-8.9	72.7
<i>MSCI Frontier Markets ex GCC</i>	-3.3	23.6	16.6	-26.1	16.9	22.3	-56.6	35.0	62.2	20.2
<b>Long-Short Equity</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Senator Global Opportunity Offshore Fund	7.6	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Event Driven Index</i>	1.0	12.5	8.9	-3.3	11.9	25.1	-21.8	6.6	15.3	7.3
Horizon Portfolio I	9.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	1.8	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6
Sandler Plus Offshore Fund Ltd	5.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	1.8	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6
Marshall Wace Eureka Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	1.8	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6
Amici Offshore, Ltd.	-0.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	1.8	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Equity Assets (continued)</b>										
<b>Private Equity<sup>1</sup></b>	<b>18.6</b>	<b>14.6</b>	<b>9.5</b>	<b>15.6</b>	<b>10.9</b>	<b>-13.5</b>	<b>-4.0</b>	<b>15.5</b>	<b>-3.5</b>	<b>NA</b>
Pantheon USA Fund VII	21.7	16.9	11.1	14.5	7.1	NA	NA	NA	NA	NA
<i>Venture Economics Private Equity Composite<sup>2</sup></i>	13.9	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4
Pathway Private Equity Fund VIII	20.2	19.1	12.0	15.8	16.8	NA	NA	NA	NA	NA
<i>Venture Economics Private Equity Composite<sup>2</sup></i>	13.9	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4
Pantheon Global Secondary Fund III	4.5	4.3	0.9	11.6	5.4	NA	NA	NA	NA	NA
<i>Venture Economics Private Equity Composite<sup>2</sup></i>	13.9	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4
Partners Group Secondary 2011	28.1	16.0	NA	NA	NA	NA	NA	NA	NA	NA
<i>Venture Economics Private Equity Composite<sup>2</sup></i>	13.9	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4
Partners Group Secondary 2008	13.1	15.1	6.0	24.5	20.1	NA	NA	NA	NA	NA
<i>Venture Economics Private Equity Composite<sup>2</sup></i>	13.9	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4
Great Hill Equity Partners IV	39.5	29.6	17.8	43.3	7.4	NA	NA	NA	NA	NA
<i>Venture Economics Private Equity Composite<sup>2</sup></i>	13.9	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4

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

<sup>2</sup> The Venture Economics Private Equity Index was discontinued recently. Cambridge Associates Private Equity benchmarks were used for 2014, pending an evaluation of the most appropriate benchmark for future use.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Fixed Income</b>	<b>1.3</b>	<b>1.4</b>	<b>7.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Investment Grade Bonds</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Northern Trust 1-10 Year Intermediate Gov't Bond Index	2.5	-1.3	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	2.5	-1.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays Intermediate Gov't Bond Index</i>	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	3.8	1.7
<b>Inflation Linked Bonds</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Northern Trust 0-5 Year TIPS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays U.S. TIPS 0-5 Years</i>	-1.1	-1.6	2.4	4.5	3.3	10.7	-2.0	9.8	2.6	1.6
<b>Global Credit</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Long-Short Credit</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Claren Road Credit Fund	-10.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI RV Fixed Income-Corporate Index</i>	1.2	5.7	11.0	0.8	11.8	30.7	-24.2	-0.7	10.8	5.3
Davidson Kempner Institutional Partners, L.P.	4.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Event Driven Index</i>	1.0	12.5	8.9	-3.3	11.9	25.1	-21.8	6.6	15.3	7.3



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Fixed Income (continued)</b>										
<b>Private Debt<sup>1</sup></b>	<b>7.0</b>	<b>9.2</b>	<b>10.8</b>	<b>2.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Medley Opportunity Fund II, L.P.	9.5	8.8	11.0	NA	NA	NA	NA	NA	NA	NA
3 Month Libor + 5%	5.3	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5
White Oak Direct Lending	5.0	9.4	2.7	NA	NA	NA	NA	NA	NA	NA
3 Month Libor + 5%	5.3	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5
GSO Direct Lending	7.0	8.4	16.2	NA	NA	NA	NA	NA	NA	NA
3 Month Libor + 5%	5.3	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5
<b>Real Assets</b>	<b>2.2</b>	<b>-8.1</b>	<b>0.2</b>	<b>-6.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Real Estate<sup>2</sup></b>	<b>21.1</b>	<b>12.3</b>	<b>8.9</b>	<b>14.9</b>	<b>7.7</b>	<b>-37.7</b>	<b>-5.4</b>	<b>23.4</b>	<b>13.2</b>	<b>22.9</b>
<b>Core Real Estate</b>	<b>11.5</b>	<b>12.6</b>	<b>9.3</b>	<b>16.3</b>	<b>14.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
PRISA I	13.3	14.7	9.7	19.1	18.4	-34.2	-13.0	17.5	16.2	23.3
Net of Fees	12.4	13.7	8.7	17.9	17.0	-34.9	-13.7	16.5	15.1	22.1
NCREIF ODCE Equal Weighted (net)	11.4	12.4	9.9	15.0	15.1	-31.3	-11.1	15.0	15.1	19.0
American Core Realty Fund, LLC	11.6	12.4	11.3	15.1	11.2	-30.0	-5.3	17.3	NA	NA
Net of Fees	10.6	11.3	10.2	13.8	10.1	-30.7	-6.3	16.2	NA	NA
NCREIF ODCE Equal Weighted (net)	11.4	12.4	9.9	15.0	15.1	-31.3	-11.1	15.0	15.1	19.0

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

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



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Real Assets (continued)</b>										
<b>Private Real Estate<sup>1</sup></b>	<b>45.2</b>	<b>12.2</b>	<b>8.6</b>	<b>13.7</b>	<b>1.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
DRA Growth and Income Fund VII, LLC	17.9	14.4	NA	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property</i>	11.8	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2
DRA Growth and Income Fund V	28.5	5.4	4.8	7.2	-1.0	-24.3	2.8	18.7	5.3	NA
<i>NCREIF Property</i>	11.8	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2
Fidelity Real Estate Growth Fund III	26.8	16.5	14.7	9.6	38.3	-77.5	-32.6	NA	NA	NA
<i>NCREIF Property</i>	11.8	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2
DRA Growth and Income Fund VI	51.2	11.3	3.2	29.8	-0.1	-19.8	9.0	NA	NA	NA
<i>NCREIF Property</i>	11.8	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2
DRA Growth & Income Fund VIII	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property</i>	11.8	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2
GEAM Value Add Realty Partners, L.P.	35.4	23.9	15.2	10.6	5.0	-66.3	-22.2	-1.6	NA	NA
<i>NCREIF Property</i>	11.8	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2

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



	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Real Assets (continued)</b>										
<b>Natural Resources</b>	<b>-9.2</b>	<b>-2.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Northern Trust Global Large MidCap Natural Resources	-9.2	-2.4	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-9.2	-2.4	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Large MidCap Commodity and Resources</i>	-9.5	-2.6	7.1	-12.9	19.5	57.8	-46.1	59.3	30.5	29.1
<b>Infrastructure</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
SSgA Dow Jones Brookfield Infrastructure Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>DJ Brookfield Global Infrastructure Index</i>	16.3	15.9	16.0	13.7	12.5	34.2	-36.4	16.3	36.7	11.0
<b>Commodities</b>	<b>-8.5</b>	<b>-11.2</b>	<b>-1.3</b>	<b>-9.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
First Quadrant Risk Parity Commodity Index <sup>1</sup>	-7.7	-13.6	-4.7	NA	NA	NA	NA	NA	NA	NA
<i>Custom Risk Parity Commodity Benchmark<sup>2</sup></i>	-8.7	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA
<i>Bloomberg Commodity Index</i>	-17.0	-9.5	-1.1	-13.3	16.8	18.9	-35.6	16.2	2.1	21.4
Credit Suisse Compound Risk Parity Commodity Index <sup>1</sup>	-8.9	-8.8	1.6	NA	NA	NA	NA	NA	NA	NA
<i>Custom Risk Parity Commodity Benchmark<sup>2</sup></i>	-8.7	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA
<i>Bloomberg Commodity Index</i>	-17.0	-9.5	-1.1	-13.3	16.8	18.9	-35.6	16.2	2.1	21.4

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

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

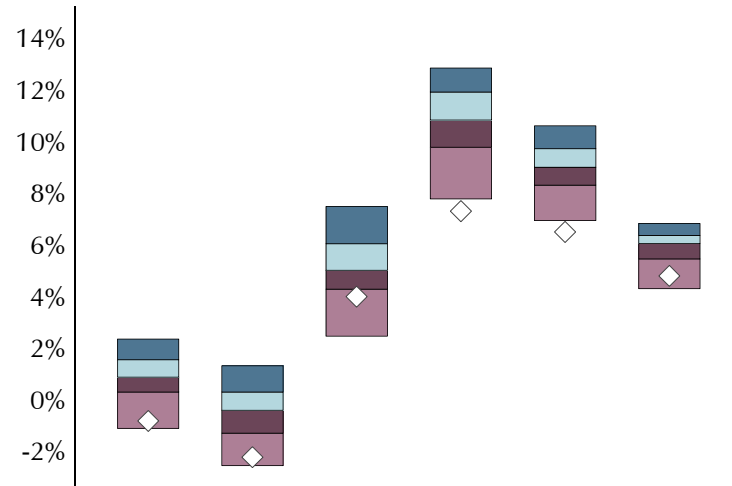
## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Absolute Return</b>	<b>4.8</b>	<b>5.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Relative Value</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
DE Shaw	16.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Fund Weighted Composite Index</i>	3.0	9.1	6.4	-5.2	10.2	20.0	-19.0	10.0	12.9	9.3
Pine River Fund Ltd	4.8	10.1	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	3.9	7.1	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0
Arrowgrass International Fund Ltd	3.4	9.0	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	3.9	7.1	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0
Hudson Bay Fund	-2.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	3.9	7.1	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0
<b>Global Macro</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Brevan Howard Multi-Strategy Fund Ltd	1.5	1.4	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Index</i>	5.7	-0.4	-0.1	-4.1	8.1	4.3	4.8	11.1	8.2	6.8
BlueCrest	12.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclay BTOP50 Index</i>	12.0	0.8	-1.8	-4.2	6.4	-4.8	13.6	7.6	5.6	2.8
Kepos Alpha Fund	22.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Systematic Diversified</i>	10.6	-0.9	-2.5	-3.5	9.8	-1.7	18.1	10.4	16.9	14.4
Global Ascent Ltd	-2.6	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Systematic Diversified</i>	10.6	-0.9	-2.5	-3.5	9.8	-1.7	18.1	10.4	16.9	14.4



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



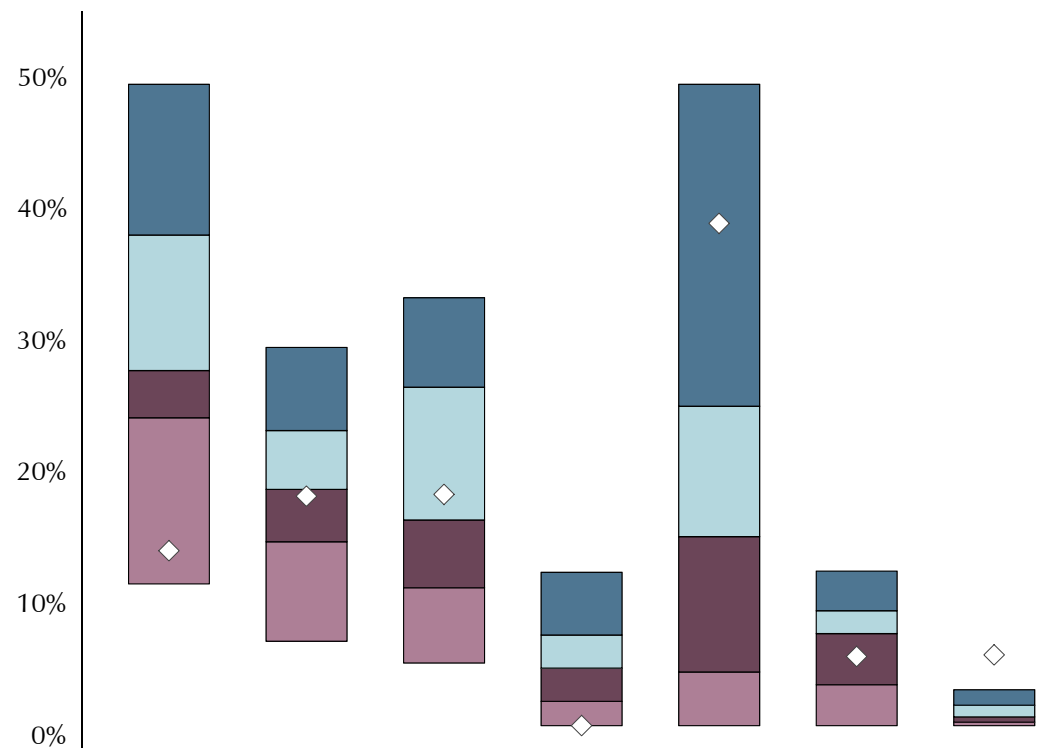
	4Q14 (%)	Fiscal <sup>2</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Total Fund Aggregate (net of fees)</b>	<b>-0.7</b>	<b>-2.1</b>	<b>4.1</b>	<b>7.4</b>	<b>6.6</b>	<b>4.9</b>
25th percentile	1.7	0.4	6.1	12.0	9.8	6.5
Median	1.0	-0.3	5.1	10.9	9.1	6.2
75th percentile	0.4	-1.2	4.4	9.9	8.4	5.6

<sup>1</sup> Universe data provided by InvestorForce. Returns are net of fees.

<sup>2</sup> Fiscal year begins July 1.



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



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
San Jose Allocation (Russell Overlay Net Position)	13.7	18.0	18.1	0.0	39.3	5.4	5.5
25th Percentile	24.1	14.4	10.8	1.9	4.2	3.2	0.3
Median	27.8	18.5	16.1	4.5	14.8	7.2	0.7
75th Percentile	38.4	23.1	26.5	7.1	25.0	9.0	1.6
Population	32	32	32	32	32	32	32

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

<sup>2</sup> Based on Russell Investments overlay net positions as of 12/31/14.





## San Jose Federated City Employees' Retirement System

## Policy Benchmark Description as of 12/31/14

Time Period	%	Composition
10/1/2014-Present	28	MSCI ACWI IMI
	9	Venture Economics Private Equity <sup>1</sup>
	24	Barclays Global Aggregate
	7	NCREIF Property
	5	DJ Brookfield Global Infrastructure
	6	Bloomberg Commodity
	5	S&P Global Natural Resources
	11	HFRI Macro Discretionary Thematic
	5	Policy Benchmark
1/1/2012-9/30/2014	31	MSCI ACWI IMI
	9	Venture Economics Private Equity <sup>1</sup>
	5	NCREIF Property
	2.5	Barclays Intermediate Government
	1.25	Barclays U.S. TIPS
	1.25	Barclays U.S. TIPS 0-5 Years <sup>2</sup>
	5	3-Month LIBOR + 5%
	10	Risk Parity Commodities
	10	CPI-U + 5%
	25	HFRI Fund of Funds Composite
4/1/2011-12/31/2011	16	MSCI ACWI
	9	MSCI ACWI Value
	5	MSCI Emerging Markets
	5	MSCI EAFE Small Cap
	3	MSCI EAFE Growth
	3	Russell 3000
	2.5	Russell 2000 Growth
	2.5	Russell 2000 Value
	7.5	Russell Investments Barclays U.S. TIPS
	5	Barclays Intermediate Government
	2.5	Barclays Long U.S. Credit
	2.5	Merrill Lynch High Yield BB/B
	2.5	CSFB Leveraged Loan
	3	ML 300 Global Convertibles
	5	HFRI Weighted Composite
	5	NCREIF Property
	6	Venture Economics Private Equity <sup>1</sup>

Time Period	%	Composition
4/1/2011-12/31/2011 (continued)	8	Custom Risk Parity Benchmark
	2	S&P Global Infrastructure
	5	3-Month LIBOR + 5%
4/1/2010-3/31/2011	16	MSCI ACWI
	9	MSCI ACWI Value
	5	MSCI Emerging Markets
	5	MSCI EAFE Small Cap
	3	MSCI EAFE Growth
	3	Russell 3000
	2.5	Russell 2000 Growth
	2.5	Russell 2000 Value
	7.5	Russell Investments Barclays U.S. TIPS
	5	Barclays Intermediate Government
	2.5	Barclays Long U.S. Credit
	2.5	Merrill Lynch High Yield BB/B
	2.5	CSFB Leveraged Loan
	3	ML 300 Global Convertibles
	5	HFRI Weighted Composite
	5	NCREIF Property
	6	Venture Economics Private Equity <sup>1</sup>
8	Dow-Jones UBS Commodities	
2	S&P Global Infrastructure	
5	3-Month LIBOR + 5%	
7/1/09 – 3/31/2010	34	Russell 1000
	9	Russell 2000
	29	Barclays Aggregate
	7	S&P Citigroup WGBI
	15	MSCI ACWI ex U.S.
	6	NCREIF Property

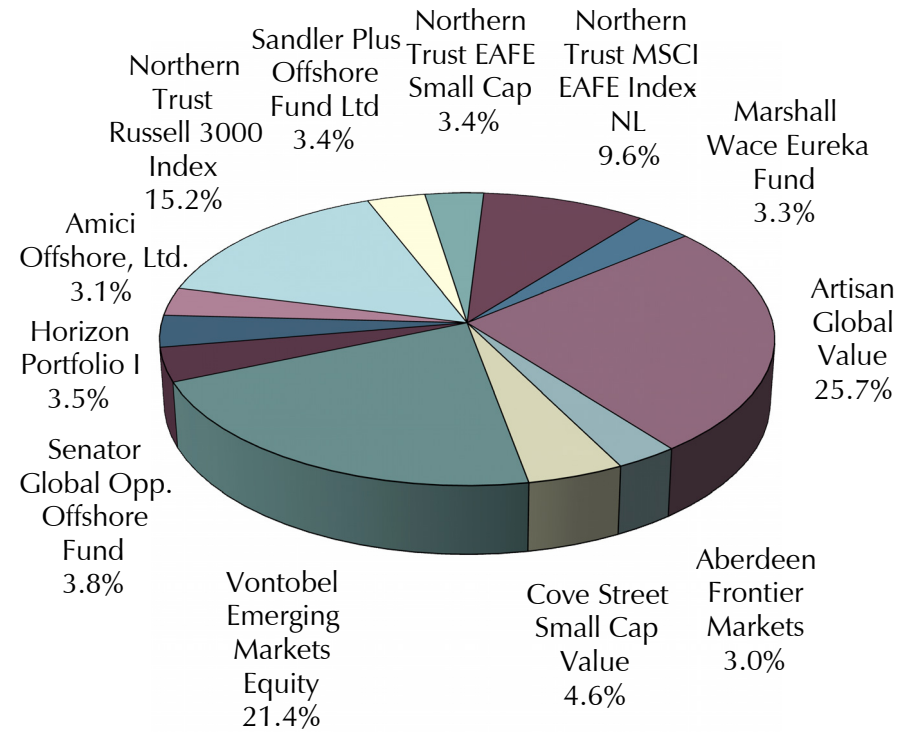
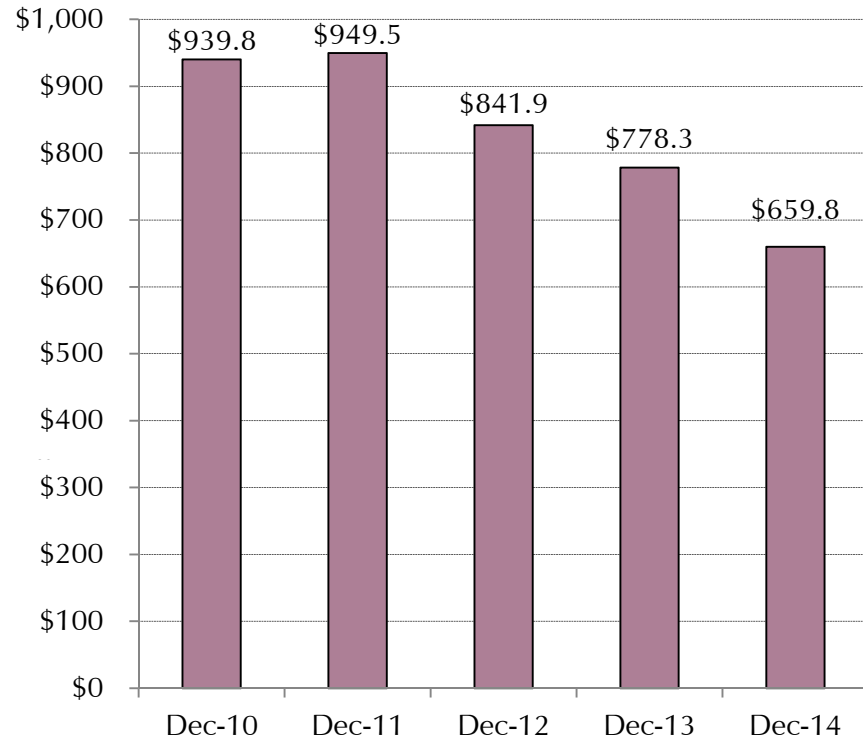
<sup>1</sup> The Venture Economics Private Equity Index was discontinued recently. Cambridge Associates Private Equity benchmarks were used for 2014, pending an evaluation of the most appropriate benchmark for future use.

<sup>2</sup> Barclays U.S. TIPS 1-5 Years Index through 6/30/14, 0-5 years thereafter.



## Plan Detail

**Global Equity Assets  
As of December 31, 2014**



Risk: (fifty-six months)	Aggregate <sup>1</sup> Global Equity 12/31/14	MSCI ACWI IMI 12/31/14
Annualized Return (%)	9.7	9.2
Standard Deviation (%)	15.5	16.3
Best Monthly Return (%)	10.5	10.8
Worst Monthly Return (%)	-9.4	-9.8
Beta	0.94	1.00
Correlation to Index	0.99	1.00
Correlation to Total Fund Return	0.97	NA
Sharpe Measure (risk-adjusted return)	0.62	0.56
Information Ratio	0.25	NA

<sup>1</sup> Excludes Long-Short Equity prior to 10/1/2014.

	Aggregate <sup>1</sup> Global Equity 12/31/14	MSCI ACWI IMI 12/31/14	Aggregate Global Equity 9/30/14
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	64.6	75.2	66.1
Median Market Cap. (US\$ billion)	1.7	1.4	1.7
Large (% over US\$20 billion)	63	62	61
Medium (% US\$3 billion to US\$20 billion)	26	28	27
Small (% under US\$3 billion)	12	10	12
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	19	18	19
Price-Book Value Ratio	3.2	1.9	3.2
Dividend Yield (%)	2.1	2.3	2.1
Historical Earnings Growth Rate (%)	11	11	11
Projected Earnings Growth Rate (%)	13	11	12

<sup>1</sup> Excludes Long-Short Equity.



<b>Diversification:</b>	<b>Aggregate<sup>1</sup> Global Equity 12/31/14</b>	<b>MSCI ACWI IMI 12/31/14</b>	<b>Aggregate Global Equity 9/30/14</b>
Number of Holdings	5,824	8,597	5,765
% in 5 largest holdings	7	5	7
% in 10 largest holdings	13	7	12

**Largest Five Holdings:**

	<b>% of Portfolio</b>	<b>Economic Sector</b>
Oracle	1.9	Software & Services
British American Tobacco	1.6	Food, Beverage & Tobacco
Microsoft	1.4	Software & Services
Bank of New York Mellon	1.3	Diversified Financials
Housing Development Financial	1.3	Banks

<sup>1</sup> Excludes Long-Short Equity.



Sector Allocation (%):	Aggregate <sup>1</sup> Global Equity 12/31/14	MSCI ACWI IMI 12/31/14	Aggregate Global Equity 9/30/14
Consumer Staples	16	9	15
Financials	28	22	27
Information Technology	19	14	18
Telecommunication Services	3	3	3
Utilities	2	3	2
Materials	3	6	4
Consumer Discretionary	10	13	10
Health Care	8	11	9
Energy	4	7	5
Industrials	8	11	8

<sup>1</sup> Excludes Long-Short Equity.

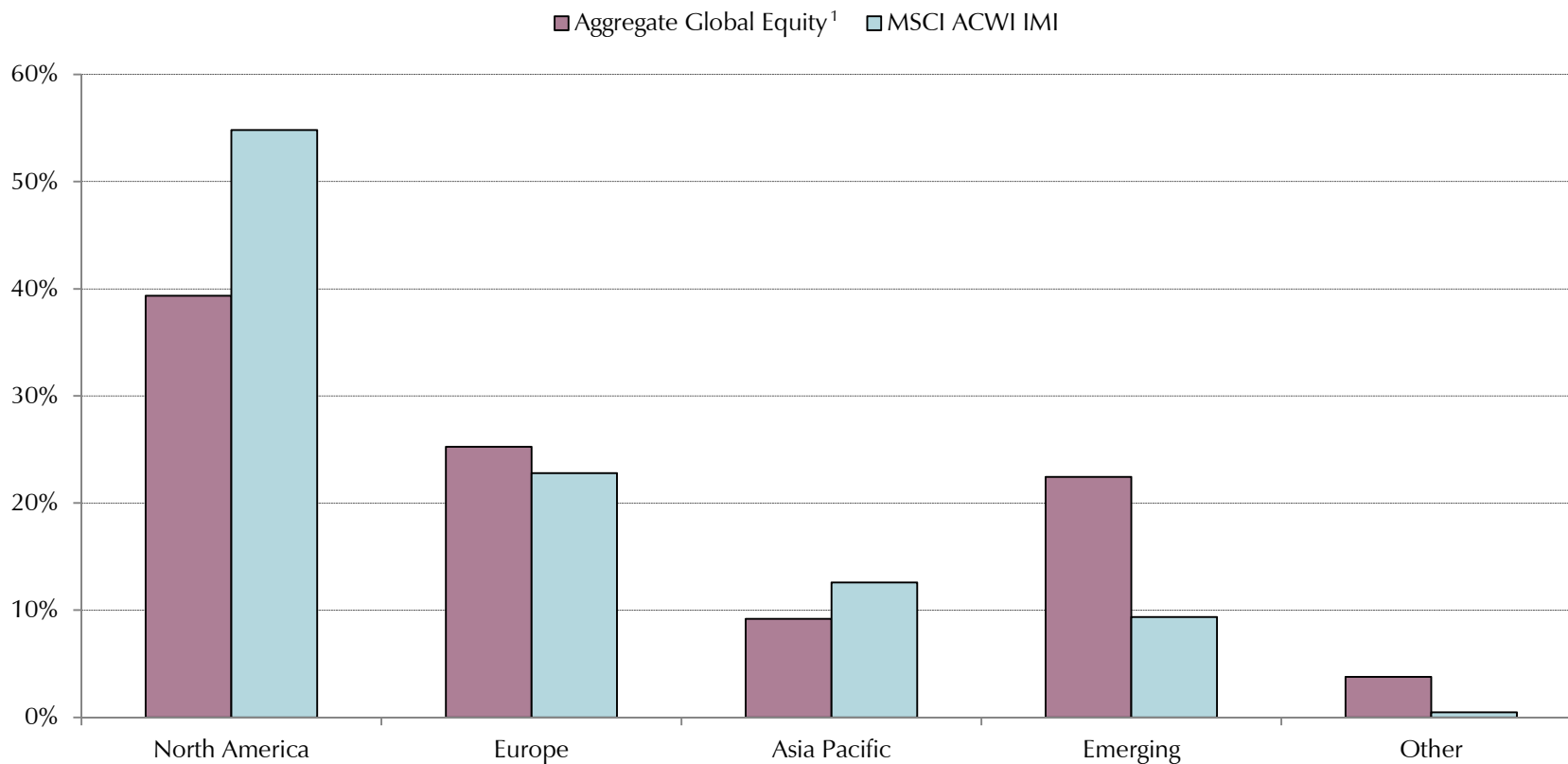




	Aggregate <sup>1</sup> Global Equity 12/31/14 (%)	MSCI ACWI IMI 12/31/14 (%)		Aggregate <sup>1</sup> Global Equity 12/31/14 (%)	MSCI ACWI IMI 12/31/14 (%)
<b>North America</b>	<b>39.3</b>	<b>54.8</b>	<b>Emerging</b>	<b>22.4</b>	<b>9.4</b>
United States of America	38.6	51.2	India	6.9	0.8
<b>Europe</b>	<b>25.3</b>	<b>22.8</b>	Brazil	3.7	0.9
United Kingdom	11.6	6.5	Mexico	1.8	0.5
Switzerland	4.3	3.3	Thailand	1.6	0.3
Denmark	1.3	0.5	Indonesia	1.4	0.3
Netherlands	1.6	1.6	South Africa	1.5	0.8
France	1.6	2.9	Malaysia	1.0	0.4
Germany	1.3	2.9	China	1.6	1.3
<b>Asia Pacific</b>	<b>9.2</b>	<b>12.6</b>	South Korea	1.6	1.5
Hong Kong	3.2	2.0	<b>Other</b>	<b>3.8</b>	<b>0.5</b>
Singapore	1.0	0.6	Bermuda	1.2	0.2
Australia	1.2	2.5			
Japan	3.8	7.4			

<sup>1</sup> Excludes Long-Short Equity.

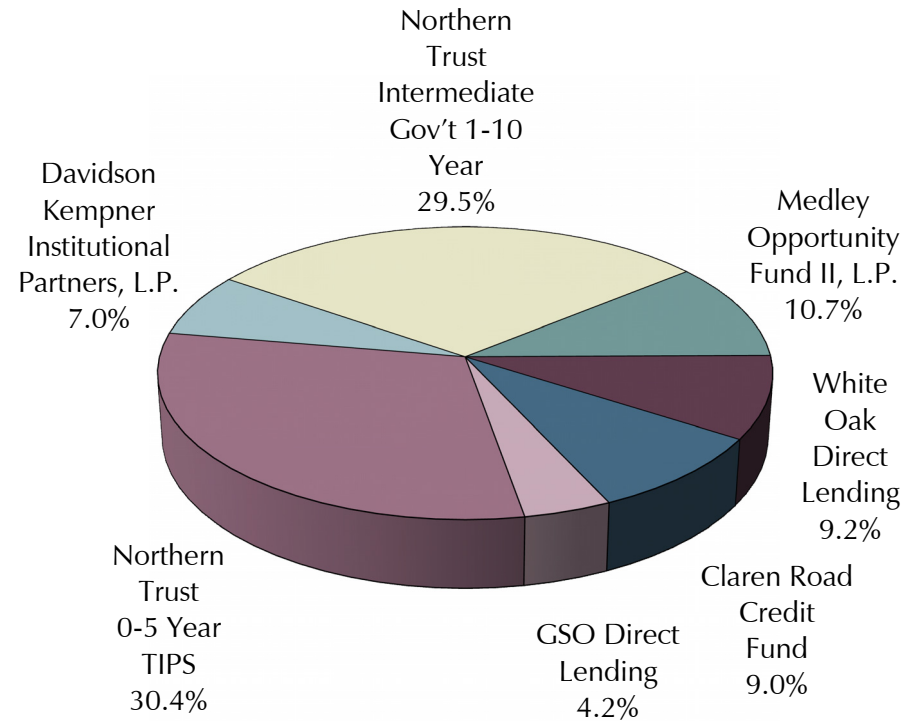
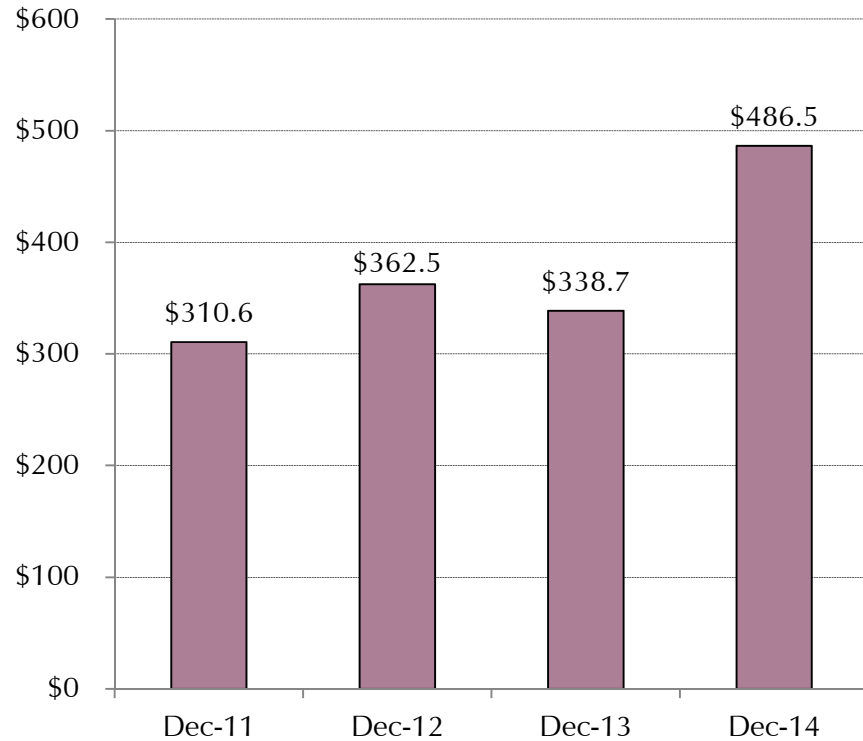




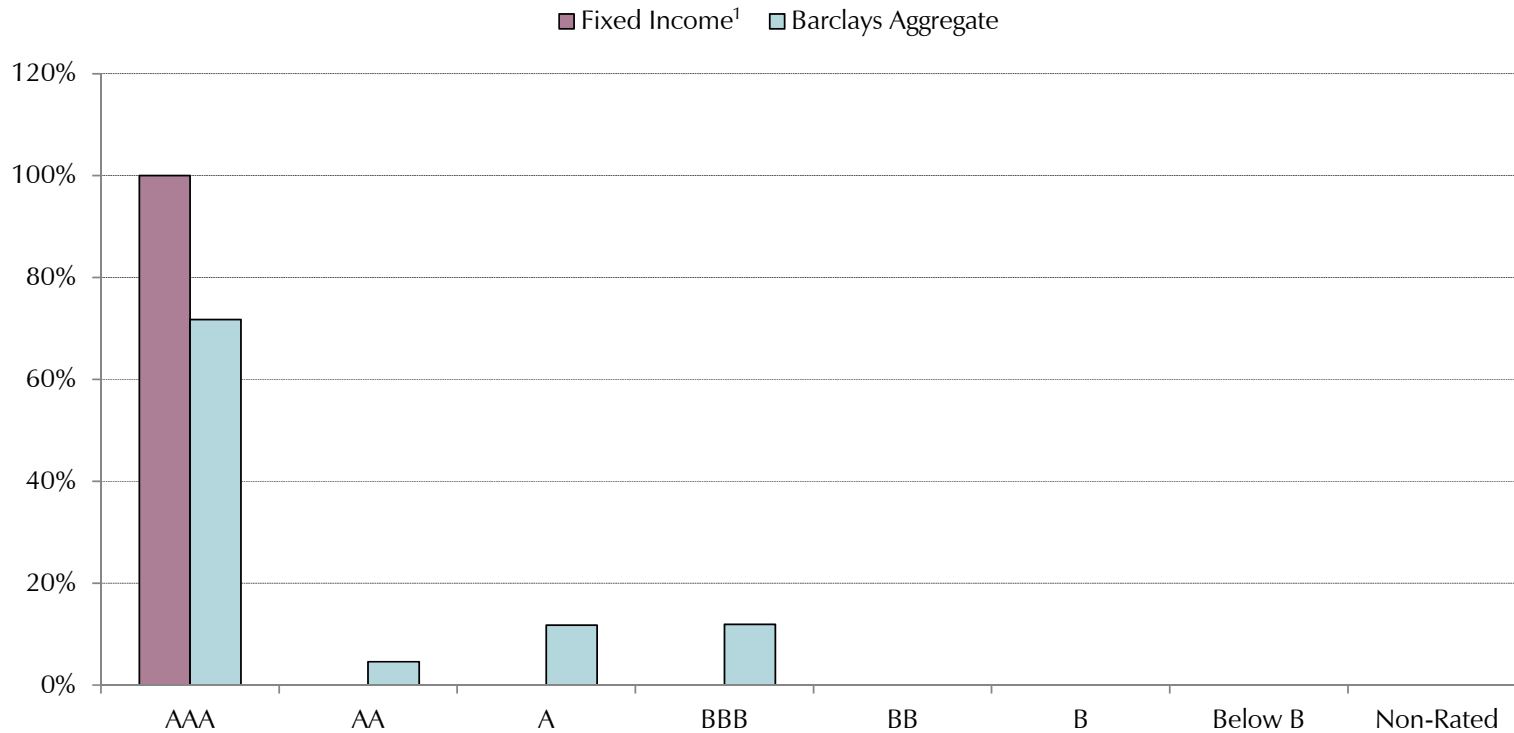
<sup>1</sup> Excludes Long-Short Equity.



**Fixed Income Assets  
As of December 31, 2014**



Duration & Yield:	Aggregate <sup>1</sup> Fixed Income 12/31/14	Barclays Aggregate 12/31/14	Aggregate Fixed Income 9/30/14
Average Effective Duration (years)	2.7	5.6	3.1
Yield to Maturity (%)	1.2	2.3	1.1



<sup>1</sup> Excludes Long-Short Credit.



	Aggregate <sup>1</sup> Fixed Income 12/31/14	Barclays Aggregate 12/31/14	Aggregate Fixed Income 9/30/14
<b>Market Allocation (%):</b>			
United States	100	91	100
Foreign (developed markets)	0	7	0
Foreign (emerging markets)	0	2	0
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	0	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	45	36	44
U.S. Treasury-TIPS	51	0	51
U.S. Agency	4	3	4
Mortgage Backed	0	29	0
Corporate	0	23	0
Bank Loans	0	0	0
Local & Provincial Government	0	1	0
Sovereign & Supranational	0	5	0
Commercial Mortgage Backed	0	2	0
Asset Backed	0	1	0
Cash Equivalent	0	0	0
Other	0	0	0

<sup>1</sup> Excludes Long-Short Credit.



**Portfolio Reviews**  
**As of December 31, 2014**

**Global Equity Portfolio Reviews**  
**As of December 31, 2014**



# San Jose Federated City Employees' Retirement System

# Artisan Global Value Portfolio Detail as of 12/31/14

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$169.5 million

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

**Location:** San Francisco, California

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

**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

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

### Liquidity Constraints:

Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 3/1/11
<b>Artisan Global Value</b>	<b>3.0</b>	<b>-0.2</b>	<b>6.1</b>	<b>19.6</b>	<b>15.0</b>
<b>Net of Fees</b>	<b>2.8</b>	<b>-0.5</b>	<b>5.5</b>	<b>19.0</b>	<b>14.4</b>
MSCI ACWI Value	-1.0	-3.8	2.9	13.3	6.5
Peer Global Equity	1.3	-1.4	4.0	16.6	9.9
Peer Ranking (percentile)	19	33	24	11	1

Risk: (forty-six months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Artisan Global Value</b>	<b>12.7%</b>	<b>0.80</b>	<b>1.18</b>	<b>1.81</b>	<b>0.95</b>
MSCI ACWI Value	14.1	1.00	0.46	NA	1.00

	12/31/14		9/30/14	
<b>Capitalization Structure:</b>	Artisan Global Value	MSCI ACWI Value	Artisan Global Value	MSCI ACWI Value
Weighted Average Market Cap. (US\$ billion)	92.1	93.1	89.0	93.5
Median Market Cap. (US\$ billion)	33.8	7.9	27.8	8.0
Large (% over US\$20 billion)	80	75	81	75
Medium (% US\$3 billion to US\$20 billion)	20	24	19	24
Small (% under US\$3 billion)	0	1	1	1

### Fundamental Structure:

Price-Earnings Ratio	17	15	17	15
Price-Book Value Ratio	2.6	1.5	2.5	1.5
Dividend Yield (%)	1.8	3.2	1.9	3.3
Historical Earnings Growth Rate (%)	4	6	5	7
Projected Earnings Growth Rate (%)	14	7	9	8

### Sector Allocation (%):

Information Technology	31	8	29	8
Financials	36	31	36	31
Health Care	10	8	10	9
Consumer Staples	8	8	9	8
Industrials	6	8	5	8
Consumer Discretionary	4	7	4	5
Telecommunication Services	1	6	1	6
Materials	0	6	1	6
Utilities	0	6	0	6
Energy	4	12	4	13

### Diversification:

Number of Holdings	45	1,339	48	1,298
% in 5 largest holdings	22	9	22	9
% in 10 largest holdings	38	15	38	15

### Region Allocation (%):

North America	52	55	51	52
Europe	39	23	39	25
Asia Pacific	1	12	3	12
Emerging	5	9	4	10
Other	3	0	3	0

### Largest Five Holdings:

		Industry
Oracle	6.0	Software & Services
Bank of New York Mellon	4.4	Diversified Financials
Royal Bank of Scotland	4.0	Banks
Microsoft	3.9	Software & Services
Medtronic	3.5	Health Care Services

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



# San Jose Federated City Employees' Retirement System

# Vontobel Emerging Markets Equity Portfolio Detail as of 12/31/14

**Mandate:** International Equities,  
Emerging Markets

**Active/Passive:** Active

**Market Value:** \$141.4 million

**Portfolio Manager:** Rajiv Jain

**Location:** New York, NY

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

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Daily

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	Since 7/1/13
<b>Vontobel Emerging Markets Equity</b>	<b>-2.4</b>	<b>-3.3</b>	<b>6.6</b>	<b>4.1</b>
<b>Net of Fees</b>	<b>-2.6</b>	<b>-3.7</b>	<b>5.7</b>	<b>3.2</b>
MSCI Emerging Markets	-4.5	-7.8	-2.2	3.5
Peer Emerging Markets	-4.4	-7.7	-1.3	4.3
Peer Ranking (percentile)	18	8	5	52

	12/31/14		9/30/14	
	Vontobel Emerging Markets	MSCI Emerging Markets	Vontobel Emerging Markets	MSCI Emerging Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	41.1	36.0	36.9	34.8
Median Market Cap. (US\$ billion)	14.9	4.9	13.2	5.0
Large (% over US\$20 billion)	67	44	60	45
Medium (% US\$3 billion to US\$20 billion)	32	48	39	47
Small (% under US\$3 billion)	0	8	1	8

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	23	14	23	14
Price-Book Value Ratio	5.5	1.6	5.9	1.6
Dividend Yield (%)	2.3	2.7	2.4	2.7
Historical Earnings Growth Rate (%)	19	12	21	12
Projected Earnings Growth Rate (%)	16	12	14	14

<b>Sector Allocation (%):</b>				
Consumer Staples	34	8	35	8
Consumer Discretionary	9	9	9	9
Health Care	2	2	2	2
Utilities	3	3	3	4
Financials	29	29	29	27
Telecommunication Services	5	7	5	8
Information Technology	14	18	13	17
Materials	3	7	3	8
Industrials	1	7	1	7
Energy	1	8	1	10

<b>Diversification:</b>				
Number of Holdings	74	834	76	834
% in 5 largest holdings	23	12	23	11
% in 10 largest holdings	38	18	37	16

<b>Region Allocation (%):</b>				
Asia Pacific	50	58	49	55
Latin America	21	16	23	19
Europe/MidEast/Africa	6	17	5	18
Other	24	9	23	8

<b>Largest Five Holdings:</b>			<b>Industry</b>	
British American Tobacco	5.8		Food, Beverage & Tobacco	
Housing Development Financial	4.8		Banks	
HDFC Bank	4.3		Banks	
ITC	4.1		Food, Beverage & Tobacco	
AmBev	3.6		Food, Beverage & Tobacco	

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



# San Jose Federated City Employees' Retirement System

# Northern Trust Russell 3000 Index Portfolio Detail as of 12/31/14

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$100.4 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Daily

**Strategy:**

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	3 YR	5 YR	Since 9/1/99
<b>Northern Trust Russell 3000 Index</b>	<b>5.3</b>	<b>5.3</b>	<b>12.7</b>	<b>20.6</b>	<b>15.8</b>	<b>5.7</b>
<b>Net of Fees</b>	<b>5.3</b>	<b>5.3</b>	<b>12.6</b>	<b>20.6</b>	<b>15.7</b>	<b>5.7</b>
Russell 3000	5.2	5.3	12.6	20.5	15.6	5.6

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Northern Trust Russell 3000 Index</b>	<b>15.7%</b>	<b>1.00</b>	<b>1.00</b>	<b>NA</b>	<b>1.00</b>
Russell 3000	15.7	1.00	0.99	NA	1.00

Capitalization Structure:	12/31/14		9/30/14	
	NT Russell 3000	Russell 3000	NT Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	102.8	102.4	100.9	100.7
Median Market Cap. (US\$ billion)	2.0	1.5	1.8	1.4
Large (% over US\$20 billion)	69	69	69	68
Medium (% US\$3 billion to US\$20 billion)	24	24	24	24
Small (% under US\$3 billion)	7	7	7	8

Fundamental Structure:	12/31/14	9/30/14
Price-Earnings Ratio	20	19
Price-Book Value Ratio	2.6	2.5
Dividend Yield (%)	1.8	1.9
Historical Earnings Growth Rate (%)	13	14
Projected Earnings Growth Rate (%)	12	12

Sector Allocation (%):	12/31/14	9/30/14
Information Technology	19	19
Consumer Discretionary	13	12
Industrials	11	11
Materials	4	4
Consumer Staples	9	8
Telecommunication Services	2	2
Energy	7	9
Utilities	3	3
Financials	18	17
Health Care	14	13

Diversification:	12/31/14	9/30/14
Number of Holdings	2,594	2,571
% in 5 largest holdings	9	9
% in 10 largest holdings	14	14

Largest Ten Holdings:	12/31/14	Industry
Apple	2.9	Technology Equipment
ExxonMobil	1.8	Energy
Microsoft	1.7	Software & Services
Johnson & Johnson	1.3	Pharmaceuticals & Biotech.
Berkshire Hathaway	1.2	Diversified Financials
Wells Fargo & Company	1.2	Banks
General Electric	1.1	Capital Goods
Procter & Gamble	1.1	Household Products
JP Morgan Chase	1.0	Banks
Chevron	0.9	Energy

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



## San Jose Federated City Employees' Retirement System

## Northern Trust MSCI EAFE Index-NL Portfolio Detail as of 12/31/14

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Passive

**Market Value:** \$63.5 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

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

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.05% on all assets

### Liquidity Constraints:

Daily

### Strategy:

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	Since 11/1/12
<b>Northern Trust MSCI EAFE Index-NL</b>	<b>-3.6</b>	<b>-9.2</b>	<b>-4.6</b>	<b>10.5</b>
<b>Net of Fees</b>	<b>-3.6</b>	<b>-9.2</b>	<b>-4.7</b>	<b>10.5</b>
MSCI EAFE	-3.6	-9.2	-4.9	10.2

Capitalization Structure:	12/31/14		9/30/14	
	Northern Trust EAFE	MSCI EAFE	Northern Trust EAFE	MSCI EAFE
Weighted Average Market Cap. (US\$ billion)	57.4	57.3	60.9	60.8
Median Market Cap. (US\$ billion)	8.8	8.7	8.8	8.7
Large (% over US\$20 billion)	68	67	69	69
Medium (% US\$3 billion to US\$20 billion)	32	32	30	31
Small (% under US\$3 billion)	1	1	1	1

### Fundamental Structure:

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

### Sector Allocation (%):

Financials	26	26	26	26
Consumer Staples	11	11	11	11
Energy	6	6	7	7
Telecommunication Services	5	5	5	5
Utilities	4	4	4	4
Industrials	13	13	13	13
Consumer Discretionary	12	12	12	12
Health Care	11	11	11	11
Information Technology	5	5	5	5
Materials	7	8	7	8

### Diversification:

Number of Holdings	917	910	908	901
% in 5 largest holdings	8	8	8	8
% in 10 largest holdings	13	13	13	13

### Region Allocation (%):

North America	0	0	1	0
Europe	65	66	66	66
Asia Pacific	33	33	33	33
Emerging	0	0	0	0
Other	1	1	1	1

### Largest Five Holdings:

		Industry
Nestle	1.9	Food, Beverage & Tobacco
Novartis	1.7	Pharmaceuticals & Biotech.
Roche	1.5	Pharmaceuticals & Biotech.
HSBC	1.5	Banks
Toyota Motor	1.4	Automobiles & Components

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



# San Jose Federated City Employees' Retirement System

# Cove Street Small Cap Value Portfolio Detail as of 12/31/14

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$30.3 million  
**Portfolio Manager:** Jeffrey Bronchick  
**Location:** El Segundo, California  
**Inception Date:** 5/1/2014  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**

0.80% on all assets

**Liquidity Constraints:**

Daily

**Strategy:**

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

**Guidelines:**

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	Since 5/1/14
<b>Cove Street Small Cap Value</b>	<b>0.5</b>	<b>-6.0</b>	<b>0.8</b>
<b>Net of Fees</b>	<b>0.3</b>	<b>-6.4</b>	<b>0.5</b>
Russell 2000 Value	9.4	0.0	5.1
Peer Small Cap Value	7.4	0.4	5.4
Peer Ranking (percentile)	97	91	83

	12/31/14		9/30/14	
Capitalization Structure:	Cove Street SCV	Russell 2000 Value	Cove Street SCV	Russell 2000 Value
Weighted Average Market Cap. (US\$ billion)	1.1	1.7	1.2	1.5
Median Market Cap. (US\$ million)	568.6	628.1	618.7	593.7
Large (% over US\$20 billion)	0	0	0	0
Medium (% US\$3 billion to US\$20 billion)	8	13	15	6
Small (% under US\$3 billion)	92	87	85	94

**Fundamental Structure:**

Price-Earnings Ratio	17	18	16	17
Price-Book Value Ratio	1.6	1.7	1.7	1.5
Dividend Yield (%)	1.0	2.0	0.9	2.1
Historical Earnings Growth Rate (%)	2	9	3	9
Projected Earnings Growth Rate (%)	15	12	16	13

**Sector Allocation (%):**

Information Technology	21	10	18	10
Consumer Discretionary	22	12	23	11
Energy	7	4	9	6
Materials	7	4	12	5
Industrials	15	13	15	13
Telecommunication Services	0	1	0	1
Health Care	3	5	0	5
Consumer Staples	0	3	0	3
Utilities	0	7	0	6
Financials	25	41	24	40

**Diversification:**

Number of Holdings	34	1,374	35	1,307
% in 5 largest holdings	24	2	26	2
% in 10 largest holdings	42	4	44	4

**Largest Ten Holdings:**

		Industry
Forestar Group	5.5	Real Estate
Chimera Investment	5.4	Real Estate
Heritage-Crystal Clean	4.5	Commercial Services
Hallmark Finl. Services	4.1	Insurance
Cherokee	4.0	Consumer Durables
Belmond 'A'	3.9	Consumer Services
Wesco Aircraft Holdings	3.8	Transportation
Carrols Restaurant Group, Inc.	3.8	Consumer Services
Approach Resources Inc.	3.7	Energy
GSI Group	3.6	Technology Equipment

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



# San Jose Federated City Employees' Retirement System

# Northern Trust EAFE Small Cap Portfolio Detail as of 12/31/14

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$22.6 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

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

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Daily

**Strategy:**

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	Since 11/1/12
<b>Northern Trust EAFE Small Cap</b>	<b>-2.0</b>	<b>-9.7</b>	<b>-4.6</b>	<b>12.8</b>
<b>Net of Fees</b>	<b>-2.0</b>	<b>-9.7</b>	<b>-4.7</b>	<b>12.7</b>
MSCI EAFE Small Cap	-2.3	-9.9	-4.9	12.5

Capitalization Structure:	12/31/14		9/30/14	
	Northern Trust EAFE Small Cap	MSCI EAFE Small Cap	Northern Trust EAFE Small Cap	MSCI EAFE Small Cap
Weighted Average Market Cap. (US\$ billion)	2.2	2.2	2.2	2.2
Median Market Cap. (US\$ million)	853.1	853.7	896.0	896.2
Large (% over US\$20 billion)	0	0	0	0
Medium (% US\$3 billion to US\$20 billion)	23	23	24	24
Small (% under US\$3 billion)	77	77	76	76

**Fundamental Structure:**

Price-Earnings Ratio	17	17	16	16
Price-Book Value Ratio	1.4	1.4	1.3	1.3
Dividend Yield (%)	2.4	2.4	2.4	2.4
Historical Earnings Growth Rate (%)	11	11	12	12
Projected Earnings Growth Rate (%)	15	15	15	15

**Sector Allocation (%):**

Consumer Staples	6	6	6	6
Consumer Discretionary	18	18	18	18
Telecommunication Services	1	1	1	1
Information Technology	9	9	9	9
Energy	3	3	4	4
Industrials	22	22	23	23
Health Care	7	7	7	7
Materials	9	9	9	9
Utilities	2	2	2	2
Financials	23	23	22	22

**Diversification:**

Number of Holdings	2,202	2,195	2,170	2,163
% in 5 largest holdings	2	2	2	2
% in 10 largest holdings	3	3	3	3

**Region Allocation (%):**

North America	0	0	0	0
Europe	57	57	57	57
Asia Pacific	41	41	41	41
Emerging	0	0	0	0
Other	2	2	2	2

**Largest Five Holdings:**

		Industry
Barratt Developments	0.4	Consumer Durables
Taylor Wimpey	0.4	Consumer Durables
St James's Place	0.4	Insurance
Mondi	0.3	Materials
Provident Financial	0.3	Diversified Financials

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



# San Jose Federated City Employees' Retirement System

# Aberdeen Frontier Markets Portfolio Detail as of 12/31/14

**Mandate:** International Equities  
**Active/Passive:** Active  
**Market Value:** \$19.5 million  
**Portfolio Manager:** Devan Kaloo  
**Location:** London, England  
**Inception Date:** 12/1/2013  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Monthly

**Strategy:**

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	Since 12/1/13
<b>Aberdeen Frontier Markets</b>	<b>-7.5</b>	<b>-7.1</b>	<b>-2.3</b>	<b>-1.4</b>
<b>Net of Fees</b>	<b>-7.9</b>	<b>-7.8</b>	<b>-3.8</b>	<b>-2.9</b>
MSCI Frontier Markets	-12.5	-11.1	6.8	8.4
MSCI Frontier Markets ex GCC	-11.6	-11.2	-3.3	-2.8
Peer Frontier Markets	-9.7	-6.5	4.4	6.2
Peer Ranking (percentile)	6	60	80	80

	12/31/14		9/30/14	
	Aberdeen Frontier Markets	MSCI Frontier Markets	Aberdeen Frontier Markets	MSCI Frontier Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	5.0	4.9	5.9	5.8
Median Market Cap. (US\$ billion)	2.2	1.5	2.1	1.8
Large (% over US\$20 billion)	5	0	9	1
Medium (% US\$3 billion to US\$20 billion)	42	52	39	55
Small (% under US\$3 billion)	53	48	52	44
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	20	13	21	14
Price-Book Value Ratio	3.4	1.7	3.6	1.8
Dividend Yield (%)	3.0	3.8	2.8	3.5
Historical Earnings Growth Rate (%)	13	9	13	8
Projected Earnings Growth Rate (%)	13	23	16	16
<b>Sector Allocation (%):</b>				
Consumer Staples	30	10	30	10
Industrials	10	4	10	4
Health Care	8	3	8	3
Information Technology	4	0	3	0
Consumer Discretionary	2	1	2	1
Utilities	0	1	0	0
Energy	7	10	9	11
Telecommunication Services	11	15	9	15
Materials	2	6	1	6
Financials	27	50	27	50
<b>Diversification:</b>				
Number of Holdings	42	127	41	126
% in 5 largest holdings	23	24	23	24
% in 10 largest holdings	42	34	42	35
<b>Region Allocation (%):</b>				
Asia	18	17	17	15
Europe & CIS	7	12	6	12
Americas	0	8	0	8
Africa	31	30	32	32
Middle East	8	33	8	34
Emerging	14	0	13	0
Other	22	0	23	0
<b>Largest Five Holdings:</b>				
MTN Group	5.0	Telecom Services		
John Keells Holdings	4.9	Capital Goods		
Safaricom	4.5	Telecom Services		
Nestle Foods Nigeria	4.3	Food, Beverage & Tobacco		
East African Breweries	4.2	Food, Beverage & Tobacco		

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



**Long-Short Equity Portfolio Reviews  
As of December 31, 2014**



**Mandate:** Hedge Fund  
**Market Value:** \$24.8 million  
**Portfolio Manager:** Alex Klabin  
 Doug Silverman  
**Location:** New York, NY  
**Inception Date:** 4/1/2013  
**Account Type:** Limited Partnership  
**# of Investments:** Not Provided

**Fee Schedule:**  
 2.0% management fee and 20% performance fee with a high water mark

**Liquidity Constraints:**  
 Quarterly with 60 days' notice

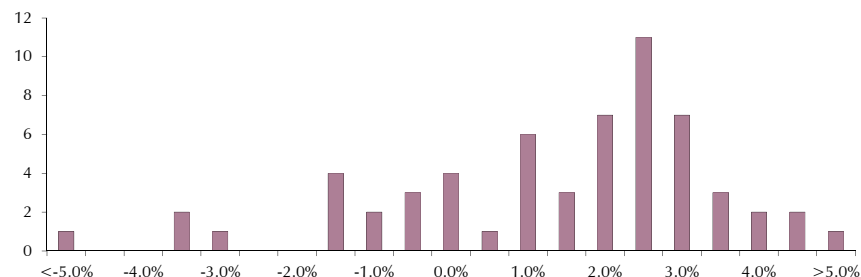
**Strategy:**  
 Senator will migrate their portfolio across capital markets as an economic cycle takes shape. The firm tends to focus on high quality franchise assets they can purchase below their intrinsic value. A catalyst to change the value of the security is essential for Senator.

Performance (%):	4Q14	Fiscal YTD	1 YR	Since 4/1/13
<b>Senator Global Opportunity Offshore Fund</b>	<b>3.4</b>	<b>3.8</b>	<b>7.6</b>	<b>13.2</b>
HFRI Event Driven Index	-1.4	-3.1	1.1	5.4

Risk: (Since Inception)	Standard Deviation (%)	Max Drawdown (%)	Max Drawdown Length	Skewness	Kurtosis
<b>Senator Global Opportunity Offshore Fund</b>	<b>5.5</b>	<b>-2.5</b>	<b>2</b>	<b>-0.4</b>	<b>-1.1</b>
HFRI Event Driven Index	3.7	-3.4	4	-0.5	-0.6

Liquidity (%) <sup>1</sup> :	Daily	< 1 Week	< 4 Weeks	< 13 Weeks	> 13 Weeks
<b>Senator Global Opportunity Offshore Fund</b>					<b>100%</b>

Historical Monthly Returns (60 months):



Regional Exposure (%) <sup>1</sup> :	12/31/14		9/30/14	
	Gross	Net	Gross	Net
North America				
Developed Asia				
Developed Europe				
Emerging Markets				
Sector Gross Exposure (%) <sup>1</sup> :	12/31/14	9/30/14	6/30/14	3/31/14
Financials				
Industrials				
Information Technology				
Consumer Discretionary				
Utilities				
Materials				
Energy				
Health Care				
Consumer Staples				
Telecom				
Index Hedge				
Mortgaged Backed Assets				
Other				
Sovereign Debt				
Municipal Bonds				
Security Type (%) <sup>1</sup> :	12/31/14		9/30/14	
	Long Exposure	Short Exposure	Long Exposure	Short Exposure
Equities				
Fixed Income				
Derivative				
Cash				
Top 3 Holdings <sup>1</sup> :				

<sup>1</sup> Senator maintains a policy of not providing details in a requested template or format. Regional, sector, security type and holdings did not populate due to lack of detail from the manager.



**Mandate:** Hedge Fund  
**Market Value:** \$23.2 million  
**Portfolio Manager:** Team  
**Location:** Tokyo, Japan  
 London, U.K.  
**Inception Date:** 7/1/2013  
**Account Type:** Limited Partnership  
**# of Investments:** Not Provided

**Fee Schedule:**  
 2.0% management fee and 20% performance fee with a high water mark

**Liquidity Constraints:**  
 1 year soft lock, quarterly with 45 days' notice thereafter

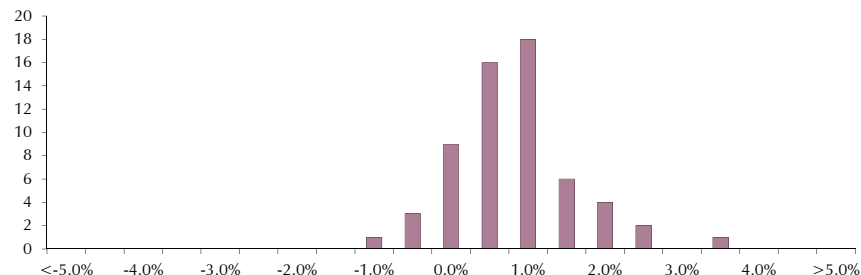
**Strategy:**  
 Horizon is a Japan-focused investment manager. The firm engages three distinct teams to manage the portfolio; Fundamental, Flow and Asia ex-Japan. The majority of exposure will be invested in Japanese equities with near 0% net exposure, ranging between +/-10%. Turnover in the portfolio is around once per month, and risk is focused to limit the impact of any single position to less than 0.25% of fund NAV.

Performance (%):	4Q14	Fiscal YTD	1 YR	Since 7/1/13
<b>Horizon Portfolio I</b>	<b>2.3</b>	<b>5.4</b>	<b>9.3</b>	<b>10.3</b>
HFRI Equity Hedge (Long/Short Equity)	0.4	-1.0	2.3	7.5

Risk: (Since Inception)	Standard Deviation (%)	Max Drawdown (%)	Max Drawdown Length	Skewness	Kurtosis
<b>Horizon Portfolio I</b>	<b>2.0</b>	<b>-0.1</b>	<b>1</b>	<b>0.4</b>	<b>-0.5</b>
HFRI Equity Hedge (Long/Short Equity)	4.9	-2.1	2	-0.1	-1.3

**Historical Monthly Returns (60 months):**



Regional Gross Exposure (%):	12/31/14	9/30/14	6/30/14	3/31/14
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North America  
 Developed Asia  
 Developed Europe  
 Emerging Markets

Sector Gross Exposure (%) <sup>1</sup> :	12/31/14	9/30/14	6/30/14	3/31/14
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Financials  
 Industrials  
 Information Technology  
 Consumer Discretionary  
 Utilities  
 Materials  
 Energy  
 Health Care  
 Consumer Staples  
 Telecom

Market Capitalization Gross Exposure (%) <sup>1</sup> :	12/31/14	9/30/14	6/30/14	3/31/14
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Large  
 Medium  
 Small

Top 5 Holdings <sup>1</sup> :	Long	Short
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<sup>1</sup> Horizon did not provide details in Meketa's requested template. Regional, sector, security type, and holdings will not populate due to lack of data from the manager.



**Mandate:** Hedge Fund  
**Market Value:** \$22.4 million  
**Portfolio Manager:** Andrew Sandler  
**Location:** New York, NY  
**Inception Date:** 5/1/2013  
**Account Type:** Limited Partnership  
**# of Investments:** 282

**Fee Schedule:**  
 2.0% management fee, 20% performance fee with a high water mark

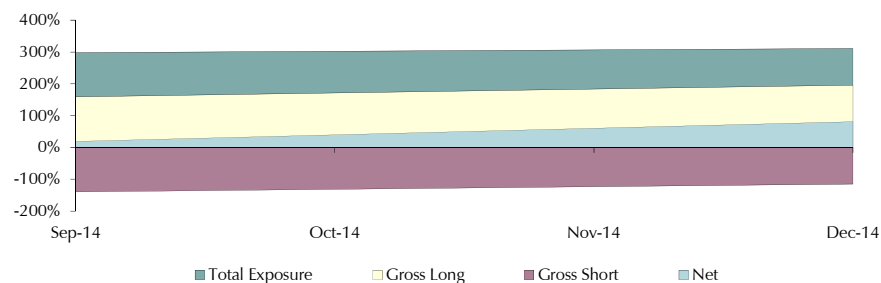
**Liquidity Constraints:**  
 Quarterly with 30 days' notice

**Strategy:**  
 Sandler uses fundamental analysis to expose investors to changes in secular growth through a business cycle. The firm will seek specific themes that drive a sector or industry toward or away from growth. The portfolio will have a high level of turnover as market and technical features are evaluated for entry or exit points for securities.

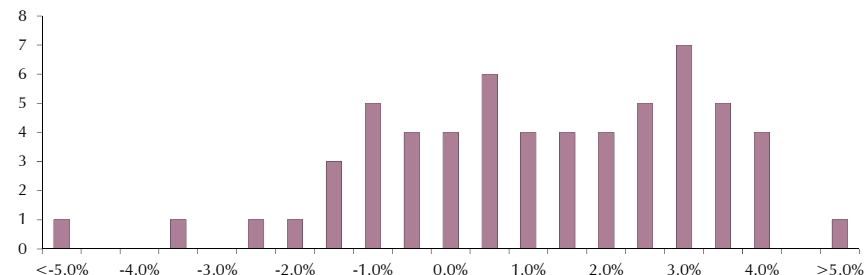
Performance (%):	4Q14	Fiscal YTD	1 YR	Since 5/1/13
<b>Sandler Plus Offshore Fund Ltd</b>	<b>8.1</b>	<b>10.2</b>	<b>5.7</b>	<b>7.0</b>
HFRI Equity Hedge (Long/Short Equity)	0.4	-1.0	2.3	6.4

Risk: (Since Inception)	Standard Deviation (%)	Max Drawdown (%)	Max Drawdown Length	Skewness	Kurtosis
<b>Sandler Plus Offshore Fund Ltd</b>	<b>6.7</b>	<b>-11.3</b>	<b>2</b>	<b>-1.6</b>	<b>3.0</b>
HFRI Equity Hedge (Long/Short Equity)	5.0	-2.05	2	-0.1	-1.3

### Exposure History:



### Historical Monthly Returns (60 months):



Regional Gross Exposure (%):	12/31/14	9/30/14
North America	294	284
Developed Asia	0	2
Developed Europe	17	12
Emerging Markets	0	0

Sector Gross Exposure (%):	12/31/14	9/30/14
Financials	42	22
Industrials	44	49
Information Technology	54	57
Consumer Discretionary	74	65
Utilities	0	1
Materials	9	17
Energy	19	23
Health Care	50	32
Consumer Staples	14	23
Telecom	6	8

Market Capitalization Gross Exposure (%):	12/31/14	9/30/14
Large	153	144
Medium	147	134
Small	11	21

Top 5 Holdings (%):	Long	Short
iShares S&P 500 Index Fund		-6
iShares S&P 500 Growth Index		-6
Tupperware Brands Corporation		-6
Facebook, Inc.	5	
Cardinal Health, Inc.	3	

**Mandate:** Hedge Fund  
**Market Value:** \$21.8 million  
**Portfolio Manager:** Team  
**Location:** London, U.K.  
**Inception Date:** 4/1/2014  
**Account Type:** Limited Partnership  
**# of Investments:** Not Provided

**Fee Schedule:**  
 2.0% management fee and 20% performance fee with a high water mark

**Liquidity Constraints:**  
 Monthly with 90 days' notice

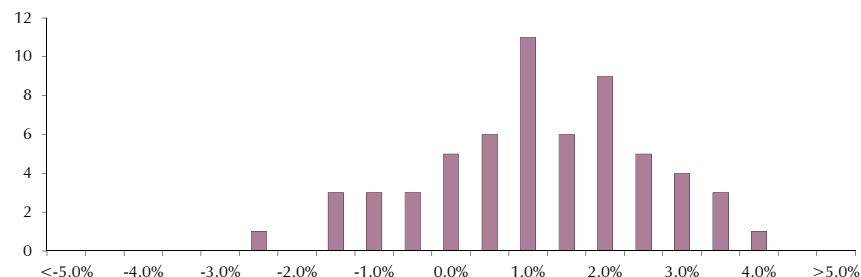
**Strategy:**  
 The Eureka fund processes opportunities from two sources, internally managed offerings at Marshall Wace and the firm's TOPS program. TOPS is a methodology that analyzes information submitted by sell-side research personnel and compiles a portfolio of ideas for the fund.

Performance (%):	4Q14	Fiscal YTD	Since 4/1/14
<b>Marshall Wace Eureka Fund</b>	<b>4.0</b>	<b>7.0</b>	<b>7.5</b>
HFRI Equity Hedge (Long/Short Equity)	0.4	-1.0	1.1

Risk: (Since Inception)	Standard Deviation (%)	Max Drawdown (%)	Max Drawdown Length	Skewness	Kurtosis
<b>Marshall Wace Eureka Fund</b>	<b>5.3</b>	<b>-2.0</b>	<b>1</b>	<b>-0.6</b>	<b>0.3</b>
HFRI Equity Hedge (Long/Short Equity)	4.3	-2.1	2	-0.1	-0.8

**Historical Monthly Returns (60 months):**



Regional Gross Exposure (%):	12/31/14	9/30/14
North America	73	70
Developed Asia	61	55
Developed Europe	85	82
Emerging Markets	46	49

Sector Gross Exposure (%):	12/31/14	9/30/14
Financials	29	59
Industrials	41	28
Information Technology	19	30
Consumer Discretionary	47	31
Utilities	1	6
Materials	23	28
Energy	6	13
Health Care	14	12
Consumer Staples	39	17
Telecom	5	21

Market Capitalization Gross Exposure (%):	12/31/14
Large	NA
Medium	NA
Small	NA

Top 5 Holdings (%):	Long	Short
Haitong International	3	
Bayer AG	2	
T-Mobile US	2	
SABMiller PLC	2	
WisdomTree India	2	

# San Jose Federated City Employees' Retirement System

# Amici Offshore, Ltd. Portfolio Detail as of 12/31/14

**Mandate:** Hedge Fund  
**Market Value:** \$20.4 million  
**Portfolio Manager:** Paul Orlin  
**Location:** New York, NY  
**Inception Date:** 3/1/2013  
**Account Type:** Limited Partnership  
**# of Investments:** 102

**Fee Schedule:**  
 1.5% management fee and 20% performance fee

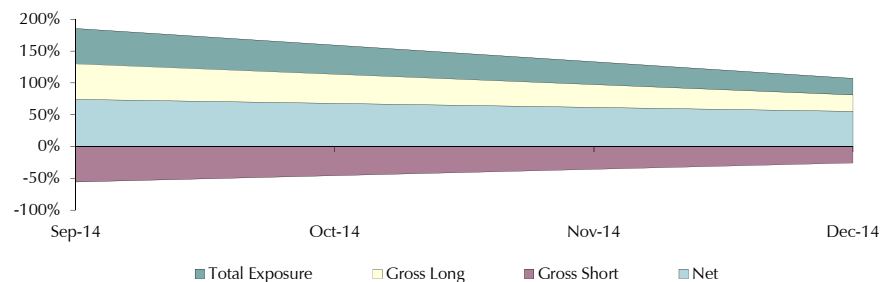
**Liquidity Constraints:**  
 1 year soft lock up, quarterly with 45 days' notice

**Strategy:**  
 The firm seeks long term fundamentally sound or broken companies. The firm's process tends to generate long positions in strong cash flow-generating companies while short positions tend to be more opportunistic or outright hedges. The portfolio can range in net exposure from 0% to upwards of 90%, with near 50% in the top 10 securities.

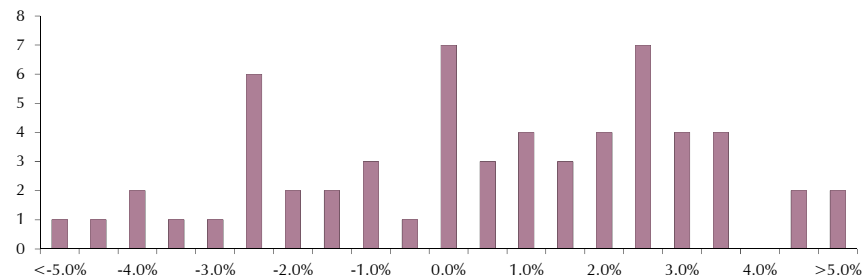
Performance (%):	4Q14	Fiscal YTD	1 YR	Since 3/1/13
<b>Amici Offshore, Ltd.</b>	<b>2.3</b>	<b>-2.7</b>	<b>-0.2</b>	<b>1.1</b>
HFRI Equity Hedge (Long/Short Equity)	0.4	-1.0	2.3	6.7

Risk: (Since Inception)	Standard Deviation (%)	Max Drawdown (%)	Max Drawdown Length	Skewness	Kurtosis
<b>Amici Offshore, Ltd.</b>	<b>10.2</b>	<b>-5.7</b>	<b>5</b>	<b>0.1</b>	<b>-0.3</b>
HFRI Equity Hedge (Long/Short Equity)	4.8	-2.1	2	-0.2	-1.1

### Exposure History:



### Historical Monthly Returns (60 months):



Regional Gross Exposure (%):	12/31/14	9/30/14
North America	85	149
Developed Asia	6	13
Developed Europe	8	12
Emerging Markets	7	11

Sector Gross Exposure (%):	12/31/14	9/30/14
Financials	24	32
Industrials	10	24
Information Technology	20	27
Consumer Discretionary	18	33
Utilities	1	3
Materials	9	14
Energy	7	17
Health Care	14	18
Consumer Staples	3	5
Telecom	1	3

Market Capitalization Gross Exposure (%):	12/31/14	9/30/14
Large	44	44
Medium	49	49
Small	14	14

Top 5 Holdings (%):	Long	Short
United Therapeutics Corp	6	
Vulcan Materials	4	
Assured Guaranty	4	
Liberty Global PLC	4	
BioMarin Pharmaceutical	4	



**Fixed Income Portfolio Reviews**  
**As of December 31, 2014**

**Investment Grade Bonds Portfolio Review**  
**As of December 31, 2014**

## San Jose Federated City Employees' Retirement System

## Northern Trust 1-10 Year Intermediate Gov't Portfolio Detail as of 12/31/14

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$143.6 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 10/1/2012  
**Account Type:** Commingled Fund

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	Since 10/1/12
<b>Northern Trust 1-10 Year Intermediate Gov't Bond Index</b>	<b>1.0</b>	<b>0.9</b>	<b>2.5</b>	<b>0.6</b>
<b>Net of Fees</b>	<b>1.0</b>	<b>0.9</b>	<b>2.5</b>	<b>0.5</b>
Barclays Intermediate Gov't Bond Index	0.9	1.0	2.5	0.6

Duration & Yield:	12/31/14		9/30/14	
	NTGI Int Gov't 1-10 yr	Barclays IT Gov't	NTGI Int Gov't 1-10 yr	Barclays IT Gov't
Average Effective Duration (years)	3.6	3.7	3.6	3.6
Yield to Maturity (%)	1.2	1.2	1.3	1.3
Quality Structure (%):				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	97	100	97
AA	0	3	0	3
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
Sector Allocation (%):				
U.S. Treasury-Nominal	91	91	91	91
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	9	9	9	9
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0

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





**Inflation Linked Bonds Portfolio Review**  
**As of December 31, 2014**

# San Jose Federated City Employees' Retirement System

# Northern Trust 0-5 Year TIPS Portfolio Detail as of 12/31/14

**Mandate:** TIPS  
**Active/Passive:** Passive  
**Market Value:** \$148.1 million  
**Portfolio Manager:** Northern Trust  
**Location:** Chicago, Illinois  
**Inception Date:** 7/1/2014  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

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

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	Since 7/1/14
<b>Northern Trust 0-5 Year TIPS</b>	-1.5	-2.9	-2.9
<b>Net of Fees</b>	-1.5	-2.9	-2.9
Barclays U.S. TIPS 0-5 Years	-1.5	-2.9	-2.9
Peer TIPS	-0.3	-2.4	-2.4
Peer Ranking (percentile)	84	75	75

Duration & Yield:	12/31/14		9/30/14	
	Northern Trust TIPS 0-5 Years	Barclays U.S. TIPS 0-5 Years	Northern Trust TIPS 0-5 Years	Barclays U.S. TIPS 0-5 Years
Average Effective Duration (years)	1.7	2.3	2.5	2.1
Yield to Maturity (%) <sup>2</sup>	1.3	1.3	1.0	1.3

Quality Structure (%):				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0

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

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

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

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

<sup>2</sup> This figure is an estimated yield-to-maturity (YTM) for the fund. It is calculated by adding the trailing 12-month inflation adjustment to the "real" (i.e., before inflation) YTM of the fund. Adding the 12-month inflation adjustment allows the fund's yield to be more directly comparable to those of other bond funds. Investors should recognize that the actual YTM will depend upon the level of inflation experienced going forward.



**Global Credit Portfolio Reviews**  
**As of December 31, 2014**

**Mandate:** Hedge Fund  
**Market Value:** \$43.9 million  
**Portfolio Manager:** Team  
**Location:** New York, NY  
**Inception Date:** 7/1/2013  
**Account Type:** Limited Partnership  
**# of Investments:** 998

**Fee Schedule:**  
 2.0% management fee and 20% management fee with a high water mark

**Liquidity Constraints:**  
 Quarterly with 45 days' notice. Monthly with 45 days' notice 4.5% fee

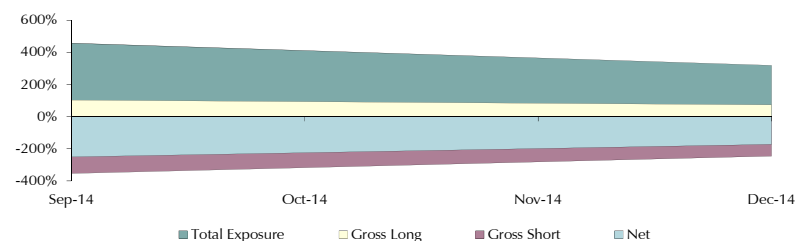
**Strategy:**  
 Claren Road focus on lower quality fixed income instruments, mainly within high yield, distressed, municipal, and sovereign securities. Claren Road seeks to "pay away" return, approximately 2% to 4% per annum, so that the portfolio profits in times of high volatility. Securities are held for one to three months and tend to be limited to +/-3.0% risk. Position limits are set at 10% of net asset value.

Performance (%):	4Q14	Fiscal YTD	1 YR	Since 7/1/13
<b>Claren Road Credit Fund</b>	<b>-11.0</b>	<b>-12.6</b>	<b>-10.3</b>	<b>-7.8</b>
HFRI RV Fixed Income-Corporate Index	-1.9	-2.9	1.7	3.9

Risk: (Since Inception)	Standard Deviation (%)	Max Drawdown (%)	Max Drawdown Length	Skewness	Kurtosis
<b>Claren Road Credit Fund</b>	<b>8.5</b>	<b>-13.5</b>	<b>10</b>	<b>-3.2</b>	<b>12.2</b>
HFRI Event-Driven Index	3.6	-3.4	4	-0.6	-0.3

Liquidity (%) <sup>1</sup> :	Daily	< 1 Week	< 4 Weeks	< 13 Weeks	> 13 Weeks
<b>Claren Road Credit Fund</b>					<b>100</b>

## Exposure History



Regional Exposure (%):	12/31/14		9/30/14	
	Gross	Net	Gross	Net
North America	93	-21	121	-19
Developed Asia	66	-66	79	-77
Developed Europe	99	-29	181	-91
Emerging Markets	61	-57	76	-64

Sector Gross Exposure (%):	12/31/14		9/30/14	
	Financials	46		79
Industrials	2		9	
Information Technology	4		3	
Consumer Discretionary	13		16	
Utilities	4		5	
Materials	18		17	
Energy	17		9	
Health Care	2		3	
Consumer Staples	10		8	
Telecom	7		14	
U.S. Government (including Agency)	20		26	
Developed Sovereign	107		122	
Emerging Sovereign	41		55	
Mortgage Backed (non-Agency)	2		2	
Commercial Mortgage Backed	0		0	
Other securitized Assets	2		1	
Corporate Credit	24		87	

Security Type (%):	12/31/14		9/30/14	
	Long Exposure	Short Exposure	Long Exposure	Short Exposure
Equities	8	-1	28	-2
Fixed Income	52	-44	57	-61
Derivative	13	-201	18	-291
Cash	0	0	0	0

## Top 3 Holdings:

Japan Government - Asia  
 Spain Government - Europe  
 Greece (Government-Europe)

<sup>1</sup> Claren Road did not provide liquidity metrics to Meketa Investment Group.



# San Jose Federated City Employees' Retirement System

# Davidson Kempner Institutional Partners, L.P. Portfolio Detail as of 12/31/14

**Mandate:** Hedge Fund  
**Market Value:** \$33.8 million  
**Portfolio Manager:** Team  
**Location:** New York, NY  
**Inception Date:** 2/1/2013  
**Account Type:** Limited Partnership  
**# of Investments:** Not Provided

**Fee Schedule:**  
 1.5% management fee, 20% performance fee

**Liquidity Constraints:**  
 Quarterly with 60 days' notice or Monthly with 60 days' notice and a 1.5% fee

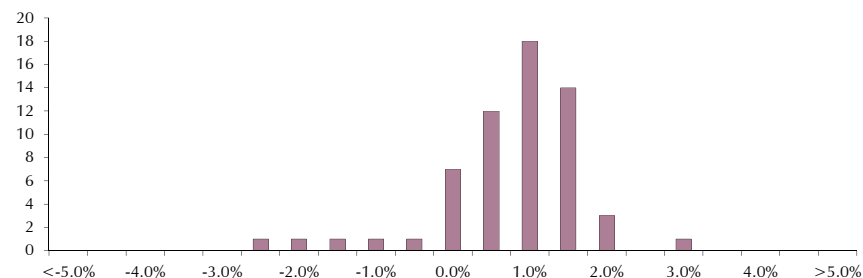
**Strategy:**  
 The firm will invest across four major event focused disciplines: distressed securities, merger arbitrage, convertible bonds and volatility, and long-short equity. This multi-strategy event fund seeks low volatility and a consistent return for clients. The firm seeks to minimize loss to 1.0% of the portfolio, thus limiting most positions to less than 8%.

Performance (%):	4Q14	Fiscal YTD	1 YR	Since 2/1/13
<b>Davidson Kempner Institutional Partners, L.P.</b>	<b>-1.4</b>	<b>-1.4</b>	<b>4.5</b>	<b>6.5</b>
HFRI Event Driven Index	-1.4	-3.1	1.1	5.7

Risk: (Since Inception)	Standard Deviation (%)	Max Drawdown (%)	Max Drawdown Length	Skewness	Kurtosis
<b>Davidson Kempner Institutional Partners, L.P.</b>	<b>2.7</b>	<b>-2.0</b>	<b>3</b>	<b>-1.0</b>	<b>2.6</b>
HFRI Event Driven Index	3.5	-3.4	4	-0.6	-0.4

Liquidity (%) <sup>1</sup> :	Daily	< 1 Week	< 4 Weeks	< 13 Weeks	> 13 Weeks
<b>Davidson Kempner Institutional Partners, L.P.</b>					<b>100%</b>

**Historical Monthly Returns (60 months):**



Regional Exposure (%) <sup>1</sup> :	12/31/14		9/30/14	
	Gross	Net	Gross	Net
North America				
Developed Asia				
Developed Europe				
Emerging Markets				

Sector Gross Exposure (%) <sup>1</sup> :	12/31/14	9/30/14	6/30/14	3/31/14
	Financials			
Industrials				
Information Technology				
Consumer Discretionary				
Utilities				
Materials				
Energy				
Health Care				
Consumer Staples				
Telecom				
Index Hedge				
Mortgaged Backed Assets				
Other				
Sovereign Debt				
Municipal Bonds				

Security Type (%) <sup>1</sup> :	12/31/14		9/30/14	
	Long Exposure	Short Exposure	Long Exposure	Short Exposure
Equities				
Fixed Income				
Derivative				
Cash				

Top 3 Holdings <sup>1</sup> :

<sup>1</sup> Davidson Kempner did not provide details in Meketa's requested template. Regional, sector, security type and holdings did not populate due to lack of detail from the manager.



**Real Assets Portfolio Reviews  
As of December 31, 2014**

**Commodities Portfolio Reviews**  
**As of December 31, 2014**

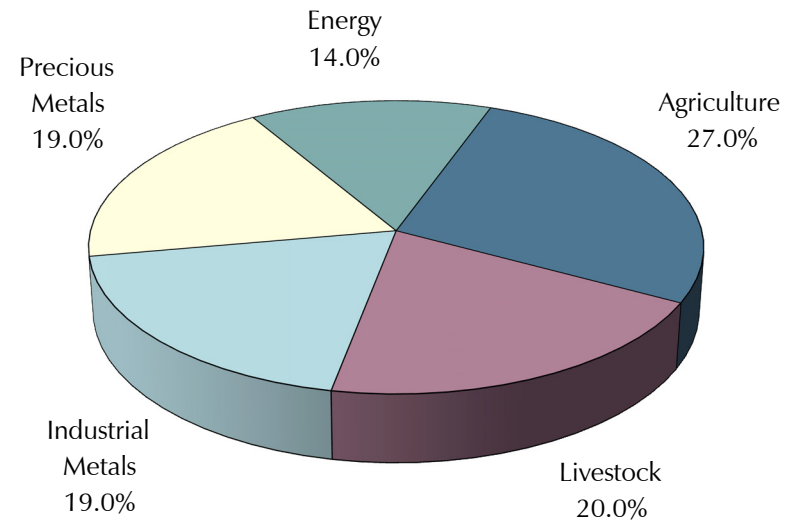
**Mandate:** Commodity (net of fees)  
**Active/Passive:** Active  
**Market Value:** \$72.9 million  
**Portfolio Manager:** Team  
**Location:** Pasadena, California  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled Fund

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

**Liquidity Constraints:**  
 Daily

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

**Current Allocation:**



Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 4/1/11
<b>First Quadrant Risk Parity Commodity Index</b>	<b>-9.6</b>	<b>-20.1</b>	<b>-7.7</b>	<b>-8.7</b>	<b>-10.1</b>
Custom Risk Parity Commodity Benchmark <sup>1</sup>	-11.8	-18.1	-8.7	-5.6	-7.7
Bloomberg Commodity Index	-12.1	-22.5	-17.0	-9.4	-12.1

Risk: (forty-five months)	Standard Deviation	Beta	Sharpe Measure <sup>2</sup>	Info. Ratio	Correlation to Index
<b>First Quadrant Risk Parity Commodity Index</b>	<b>12.0%</b>	<b>0.00</b>	<b>Neg.</b>	<b>0.00</b>	<b>0.96</b>
Custom Risk Parity Commodity Benchmark <sup>1</sup>	10.9	1.00	0.00	NA	1.00

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

<sup>2</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.





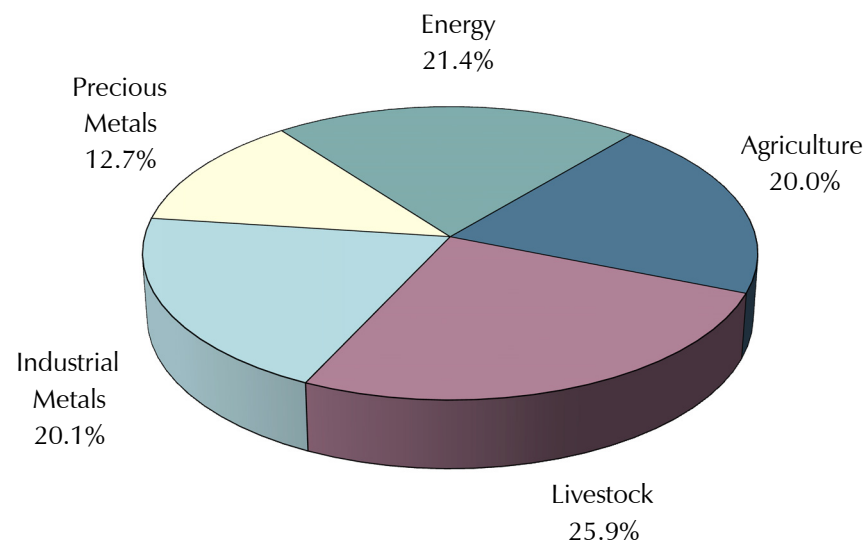
**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$64.3 million  
**Portfolio Manager:** Christopher Burton  
**Location:** New York, New York  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled Fund

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

**Liquidity Constraints:**  
 Daily

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

**Current Allocation:**



Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 4/1/11
<b>Credit Suisse Risk Parity Commodity Index</b>	<b>-11.7</b>	<b>-17.7</b>	<b>-8.9</b>	<b>-5.5</b>	<b>-7.6</b>
Custom Risk Parity Commodity Benchmark <sup>1</sup>	-11.8	-18.1	-8.7	-5.6	-7.7
Bloomberg Commodity Index	-12.1	-22.5	-17.0	-9.4	-12.1

Risk: (forty-five months)	Standard Deviation	Beta	Sharpe Measure <sup>2</sup>	Info. Ratio	Correlation to Index
<b>Credit Suisse Risk Parity Commodity Index</b>	<b>10.6%</b>	<b>0.00</b>	<b>Neg.</b>	<b>0.00</b>	<b>1.00</b>
Custom Risk Parity Commodity Benchmark <sup>1</sup>	10.9	1.00	0.00	NA	1.00

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

<sup>2</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.



**Infrastructure Portfolio Review  
As of December 31, 2014**

**Strategy:** Infrastructure

**Market Value:** \$140.1 million

**Portfolio Manager:** Team

**Location:** Boston, Massachusetts

**Inception Date:** 3/1/2014

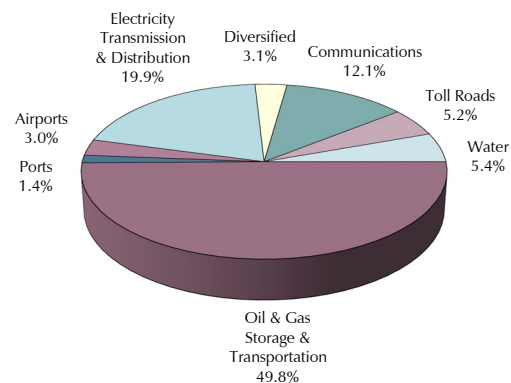
**Account Type:** Separately Managed

**Liquidity Constraints:** Daily

**Fee Schedule:** 0.15% on first \$50 mm; 0.10% on next \$50 mm; 0.07% thereafter; Minimum annual fee of \$105,000.

**Guidelines:** Investment Manager will not seek the Index exposure where securities are traded in the following countries: China, Brazil, United Arab Emirates, and Russia. The country restrictions do not apply to American Depository Receipts (ADRs) or Global Depository Receipts (GDRs) that provide exposure to these countries.

**Index Sectors:**



Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	Since 3/1/14
SSgA Dow Jones Brookfield Infrastructure Index	1.6	0.2	13.1
Net of Fees	1.6	0.2	13.1
DJ Brookfield Global Infrastructure Index	1.4	0.0	12.3

Country Allocation:	Portfolio Allocation (%)
<b>United States</b>	<b>50.1</b>
<b>International Developed Markets</b>	<b>48.4</b>
Canada	14.7
United Kingdom	9.9
Hong Kong	4.7
Spain	4.0
Australia	3.9
Italy	3.2
Japan	2.2
Luxembourg	1.9
France	1.9

Country Allocation:	Portfolio Allocation (%)
<b>International Developed Markets (continued)</b>	
Singapore	0.4
Netherlands	0.4
Germany	0.4
New Zealand	0.4
Switzerland	0.3
Belgium	0.2
<b>Emerging Markets</b>	<b>1.5</b>
Mexico	0.7
China	0.5
Brazil	0.3

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

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



**Natural Resources Portfolio Review**  
**As of December 31, 2014**

**Mandate:** Natural Resources  
**Active/Passive:** Passive  
**Market Value:** \$115.5 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 11/1/2012  
**Account Type:** Separately Managed

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

**Liquidity Constraints:**  
 Daily

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

Performance (%):	4Q14	Fiscal YTD <sup>1</sup>	1 YR	Since 11/1/12
Northern Trust Global Large MidCap Natural Resources	-9.3	-16.4	-9.2	-5.0
Net of Fees	-9.3	-16.4	-9.2	-5.0
S&P Global Large MidCap Commodity and Resources	-9.5	-16.7	-9.5	-5.2

	12/31/14		9/30/14	
	Northern Trust Global NR	S&P Global Large MidCap Comm & Res	Northern Trust Global NR	S&P Global Large MidCap Comm & Res
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	66.9	66.6	68.3	68.1
Median Market Cap. (US\$ billion)	7.9	7.4	9.2	9.0
Large (% over US\$20 billion)	69	69	69	69
Medium (% US\$3 billion to US\$20 billion)	28	28	28	28
Small (% under US\$3 billion)	3	3	2	2
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	14	14	15	15
Price-Book Value Ratio	1.5	1.5	1.7	1.7
Dividend Yield (%)	3.2	3.2	2.9	2.9
Historical Earnings Growth Rate (%)	8	9	8	9
Projected Earnings Growth Rate (%)	8	8	10	10
<b>Sector Allocation (%):</b>				
Consumer Staples	9	9	10	9
Energy	34	34	33	33
Consumer Discretionary	0	0	0	0
Financials	0	0	0	0
Health Care	0	0	0	0
Industrials	0	0	0	0
Information Technology	0	0	0	0
Telecommunication Services	0	0	0	0
Utilities	0	0	0	0
Materials	56	57	57	57
<b>Diversification:</b>				
Number of Holdings	210	211	206	210
% in 5 largest holdings	27	27	27	27
% in 10 largest holdings	44	44	43	43
<b>Region Allocation (%):</b>				
North America	53	52	52	52
Europe	27	27	27	27
Asia Pacific	10	10	10	10
Emerging	9	10	10	11
Other	1	1	1	1
<b>Largest Five Holdings:</b>				
Monsanto	7.7	Materials		
ExxonMobil	6.1	Energy		
BHP Billiton	4.7	Materials		
Archer-Daniels	4.5	Food, Beverage & Tobacco		
Syngenta	4.0	Materials		

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



# Global Macroeconomic Outlook December 2014

## Global Economic Outlook

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

- The IMF further tempered its world growth estimates for 2015 from 3.8% to 3.5% with reduced growth expectations globally, excluding the U.S., offsetting the benefits of lower oil prices.
- An improving labor market and stronger household balance sheets have helped bolster the U.S. recovery. In Europe, growth remains weak, while Japan has slipped back into recession.
- Emerging economies are forecasted to continue to account for the majority of growth globally, but results will likely be uneven across countries. The IMF recently decreased their growth projections for China by 0.5% to 6.8% for 2015 down from the 7.4% expansion in 2014.
- Excluding Japan, near-term global inflation is projected to trail the ten-year averages, as continued monetary stimulus from major central banks has not led to inflationary pressures. The recent decline in oil has also put downward pressure on prices.

	Real GDP (%)			Inflation (%)		
	IMF 2014 Forecast	IMF 2015 Forecast	Actual 10 Year Average	IMF 2014 Forecast	IMF 2015 Forecast	Actual 10 Year Average
World	3.3	3.5	4.1	3.8	3.9	4.3
U.S.	2.4	3.6	1.7	2.0	2.1	2.4
European Union	1.4	1.8	1.2	0.7	1.1	2.3
Japan	0.1	0.6	0.8	2.7	2.0	-0.1
China	7.4	6.8	10.2	2.3	2.5	3.1
Emerging Markets ( ex. China)	3.0	3.0	5.3	7.1	7.1	7.5

Source: IMF. Real GDP represents January 2015 projections with the exception of the European Union which represents October 2014 projections. Inflation represents October 2014 projections. "Actual 10 Year Average" represents data from 2004 to 2013.

**Global Economic Outlook, Continued**

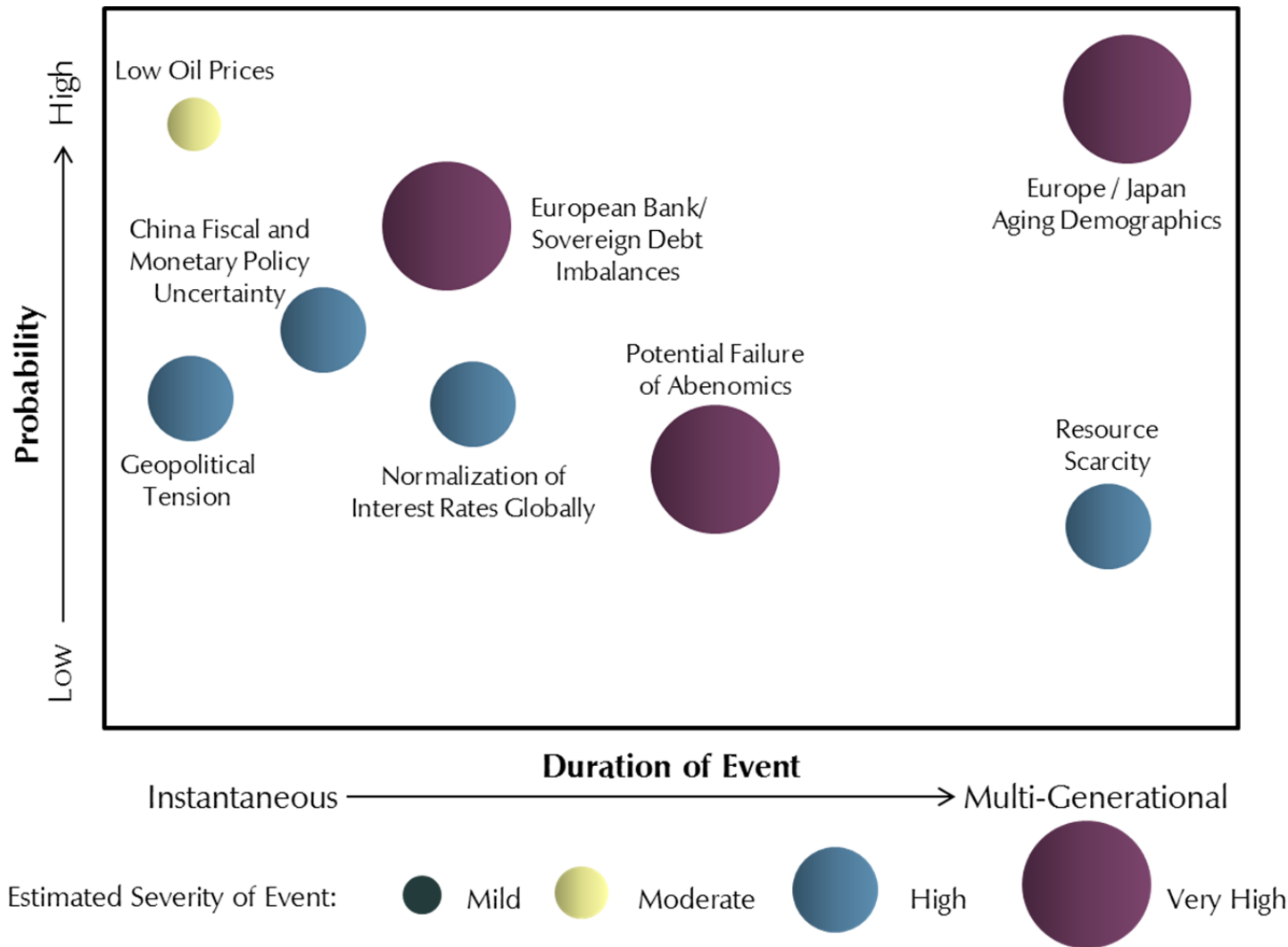
**The U.S. Federal Reserve finished its bond buying program in 2014 and is expected to begin increasing interest rates in 2015. In Europe, further monetary stimulus is likely, in light of deflationary pressures, while continued fiscal and monetary stimulus is likely in Japan.**

- In December, the U.S. Federal Reserve indicated that it would not plan to increase interest rates for at least several more meetings. The Fed further noted that even after rate hikes begin, monetary policy would remain very accommodative.
- Due to low inflation and weak growth, the European Central Bank (ECB) continues to keep its key interest rate at close to 0%, while maintaining bank deposit rates in negative territory (-0.2%). As a further stimulative measure, the ECB recently announced a 60 billion euro (approximately \$68.5 billion) monthly asset purchase program that is targeted to start in March and run through September 2016 or until growth and inflation increase.
- Japan's economy slipped back into recession in the third quarter as a weaker yen and the recent sales tax increase weighed on consumption. In October, the Bank of Japan announced further stimulative measures in addition to the historic measures already in place. Specifically, they announced that they would increase their purchase of government bonds to 80 trillion yen (approximately \$678.1 billion) per year and triple their annual purchase of ETFs and REITs.
- In an effort to support the slowing economy, China announced in November its first cut in interest rates in over two years. One-year loan rates were decreased from 6.0% to 5.6%, while one-year deposit rates were reduced from 3% to 2.75%.

**Several issues are of primary concern: 1) slow or declining growth in Europe and Japan; 2) the diminishing effectiveness of monetary policy globally; 3) divergent growth in emerging economies; and 4) increased geopolitical tensions.**



Macroeconomic Risk Matrix



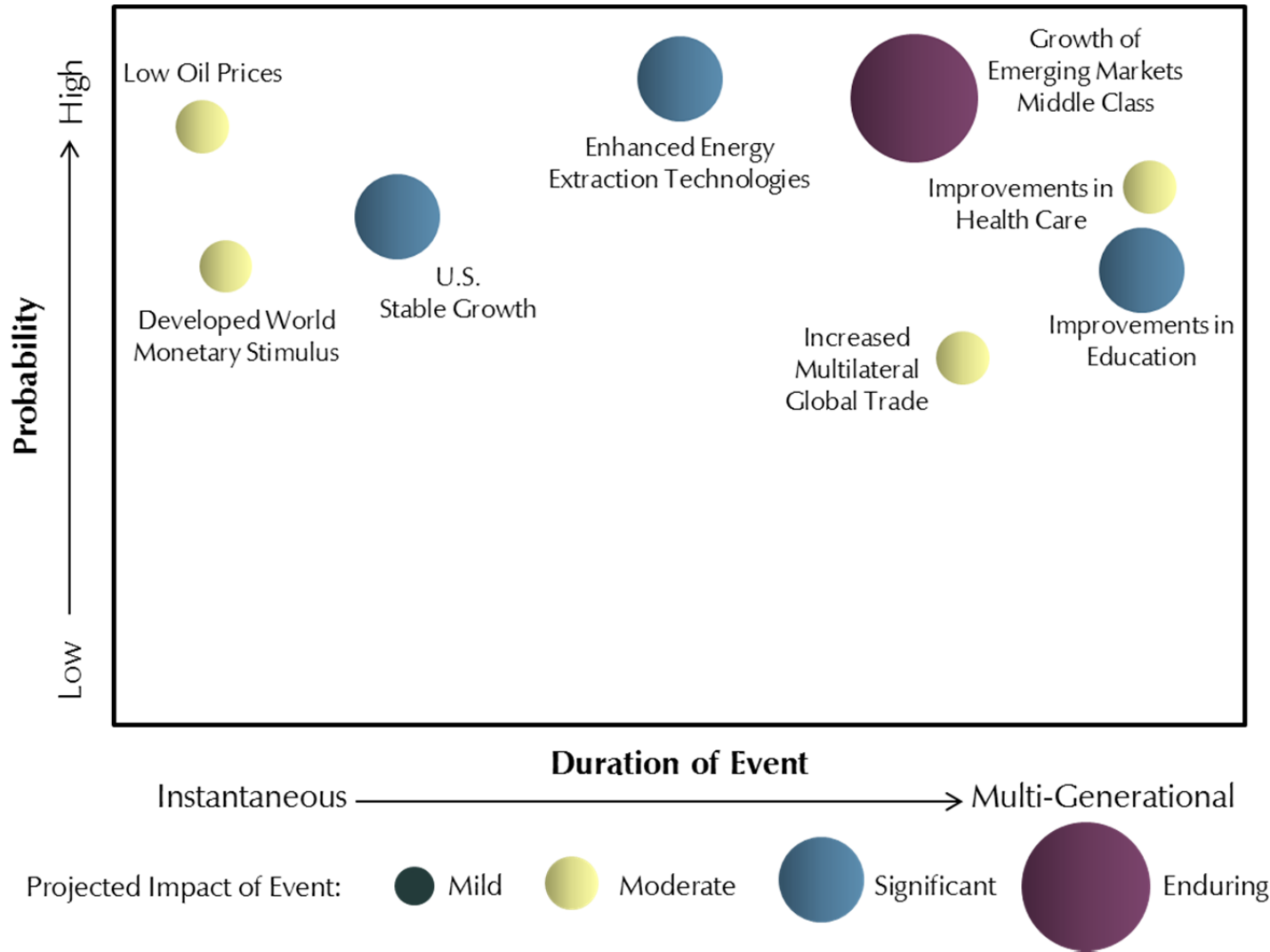
### Macroeconomic Risk Overviews

<b>Low Oil Prices</b>	Falling oil prices could particularly hurt countries such as Iran, Russia, and Venezuela that depend heavily on oil export revenues. Oil exploration and production companies, and companies that support the oil industry, could also be hurt by the decline in prices. The risk of increased geopolitical tensions also exists with depressed oil prices.
<b>European Bank/Sovereign Debt Imbalances</b>	The crisis is rooted in structural issues in the Euro-zone related to the combination of a single currency (euro) combined with 17 fiscal authorities. Several negative outcomes are possible from the sovereign debt crisis, including sequential sovereign default, a break-up of the euro, bank failures, political regime change, and rapid de-leveraging/deflation.
<b>Potential Failure of Abenomics</b>	Japan has embarked on a historic stimulus program, commonly referred to as “Abenomics” in an effort to fight its decades of deflation. The plan includes monetary, fiscal, and structural components. If Japan overshoots with its policies, or dramatically changes them unexpectedly, it could prove to be very disruptive to markets and growth.
<b>Europe/Japan Aging Demographics</b>	In Japan and Europe, birth rates have declined, resulting in populations becoming older and smaller relative to the rest of the world. These demographic trends will have a negative long-term impact on GDP growth and fiscal budgets, amplifying debt problems.
<b>Geopolitical Tension</b>	Tensions have increased in Iraq as the Islamic State of Iraq and Syria (ISIS), a radical offshoot of al-Qaeda, seized large oil producing areas in the north, creating a revenue stream for them and causing volatility in the energy market. U.S.-led air attacks are in process against ISIS in both Iraq and Syria. An escalation in the circumstances in Iraq could prove to be further disruptive to energy and commodity markets. There also remain other unresolved geopolitical issues including tensions between Russia and Ukraine, China’s maritime expansion, the civil war in Syria, and the conflict between Israel and Hamas.

**Macroeconomic Risk Overviews, Continued**

<p><b>China Fiscal and Monetary Policy Uncertainty</b></p>	<p>Much of China's recent growth was fueled by debt, particularly in the "shadow banking" sector. The new leadership regime in China has sought to transition the country from a model of debt-fueled growth to a model of consumption-based growth. This transition process could prove difficult in the short-term, as the targeted rate of debt growth could weigh heavily on economic growth.</p>
<p><b>Normalization of Interest Rates Globally</b></p>	<p>After the Global Financial Crisis, the developed world, particularly the U.S., injected massive amounts of liquidity into the financial system in an effort to prevent depression-like declines in economic activity. Additionally, the world's central banks reduced short-term interest rates to record lows. Once monetary stimulus is withdrawn, it is likely that interest rates will normalize and weigh on growth globally, particularly in emerging markets.</p>
<p><b>Resource Scarcity</b></p>	<p>The increasing world population, urbanization, and a growing middle class, particularly in emerging economies, could all lead to a scarcity of resources going forward, including food, water, land, energy, and minerals. As demand continues to grow and supply declines, some commodity prices may skyrocket, hurting the living standards of many and increasing the risk of geopolitical conflicts.</p>

Positive Macroeconomic Trends Matrix



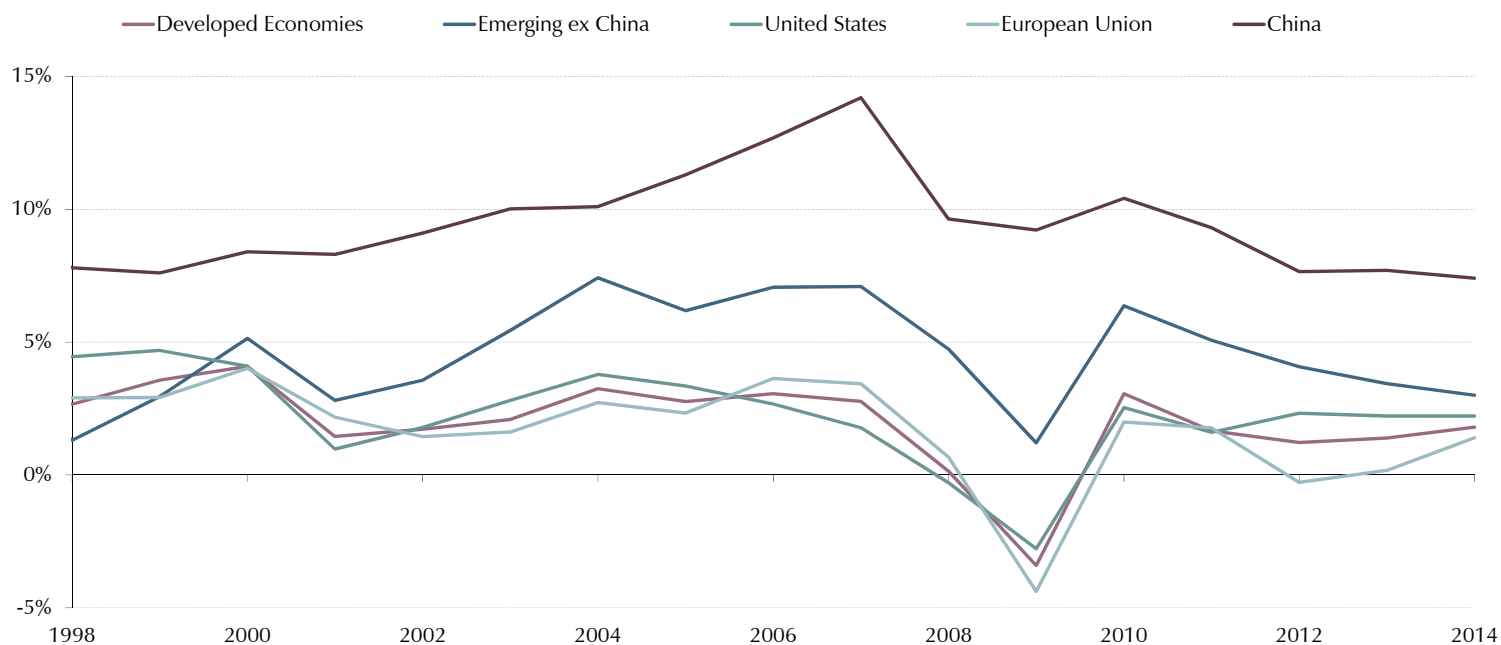
## Positive Macroeconomic Trends Overviews

<b>Low Oil Prices</b>	Declining oil prices could also have a positive impact on growth, particularly on importers like China, Japan, and India. Consumers should also benefit from falling oil in the form of lower prices for gasoline and heating oil.
<b>U.S. Stable Growth</b>	The U.S. economy has shown signs of improvement with GDP growth improving and unemployment declining. Continued stabilization in the world's largest economy should improve employment and growth domestically, as well as increased demand for goods and services from abroad.
<b>Growth of Emerging Markets Middle Class</b>	In emerging economies, the size of the middle class is projected to grow significantly over the next twenty years. The growing middle class in the emerging economies should increase consumption globally, which in turn will drive GDP growth and create jobs.
<b>Increased Multilateral Global Trade</b>	The pace of globalization has accelerated, particularly in emerging economies. Increased trade and investment, as well as access to foreign capital and export markets for corporations, should lead to lower costs, higher efficiencies, and higher global growth.
<b>Improvements in Education/Healthcare</b>	Literacy rates and average life spans have increased globally, particularly in the emerging economies. Higher literacy rates will likely be a driver of future growth, as the ability to read helps people learn new skills and improve existing skills. When people live longer it increases incentives to make long-term investments in human capital (i.e., education and training), resulting in a more productive work force and ultimately more growth.

**Positive Macroeconomic Trends Overviews, Continued**

<p><b>Enhanced Energy Extraction Technologies</b></p>	<p>Hydraulic fracturing (i.e., fracking) technologies have allowed large new supplies of natural gas and oil to be extracted from shale rocks, mainly in the U.S. The increased supply of oil and gas through fracking has contributed to falling energy prices. It is likely that other countries will work to improve their fracking technologies, further increasing the supply of oil and gas globally.</p>
<p><b>Developed World Monetary Stimulus</b></p>	<p>Developed market central banks embarked on a massive monetary stimulus campaign in the aftermath of the Global Financial Crisis. The U.S., European, and Japanese central banks continue to maintain interest rates at record lows. Japan has embarked on an unprecedented asset purchase program (quantitative easing), while the U.S. recently ended its bond buying program. If central banks continue to provide liquidity and keep interest rates low, this should stimulate growth.</p>

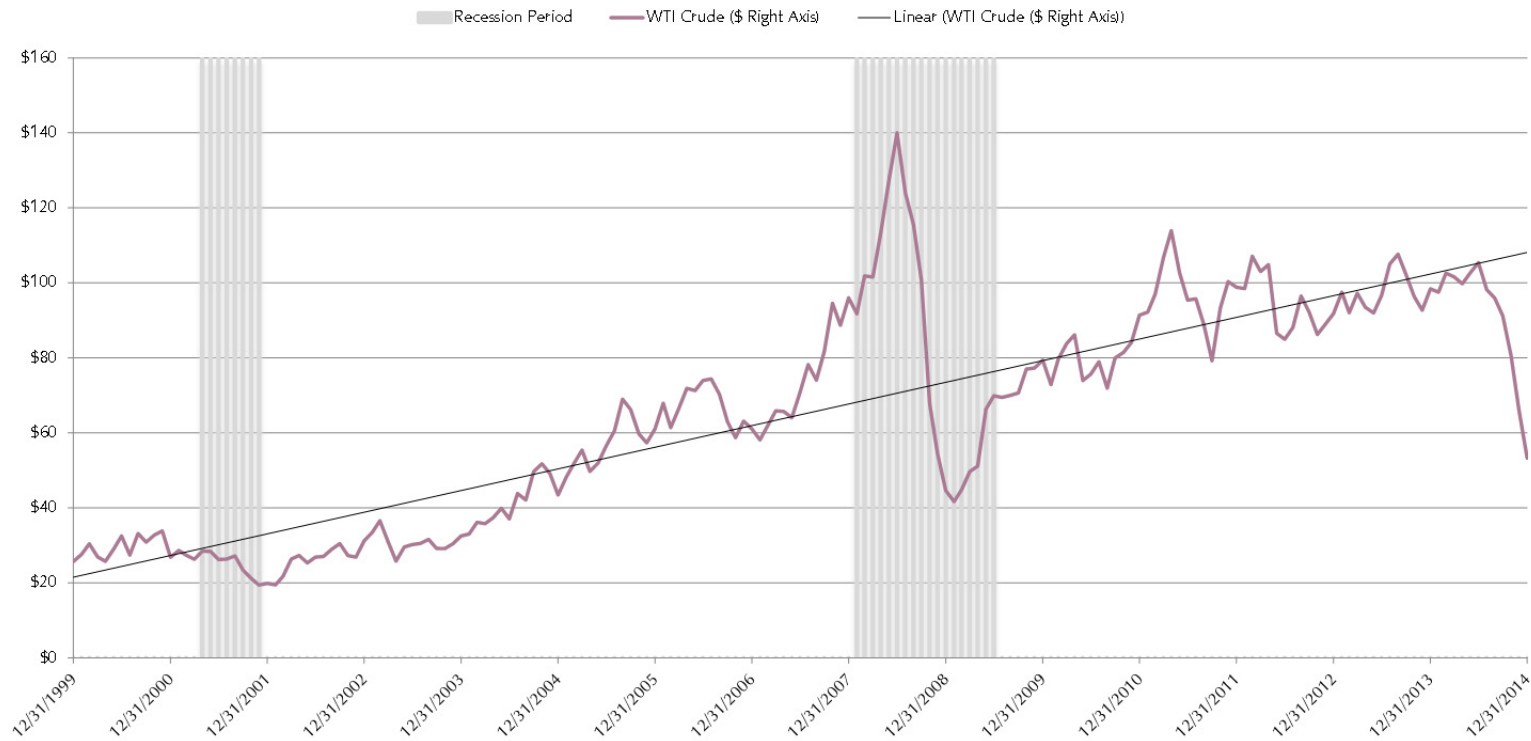
Global Real Gross Domestic Product (GDP) Growth



Source: IMF.

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

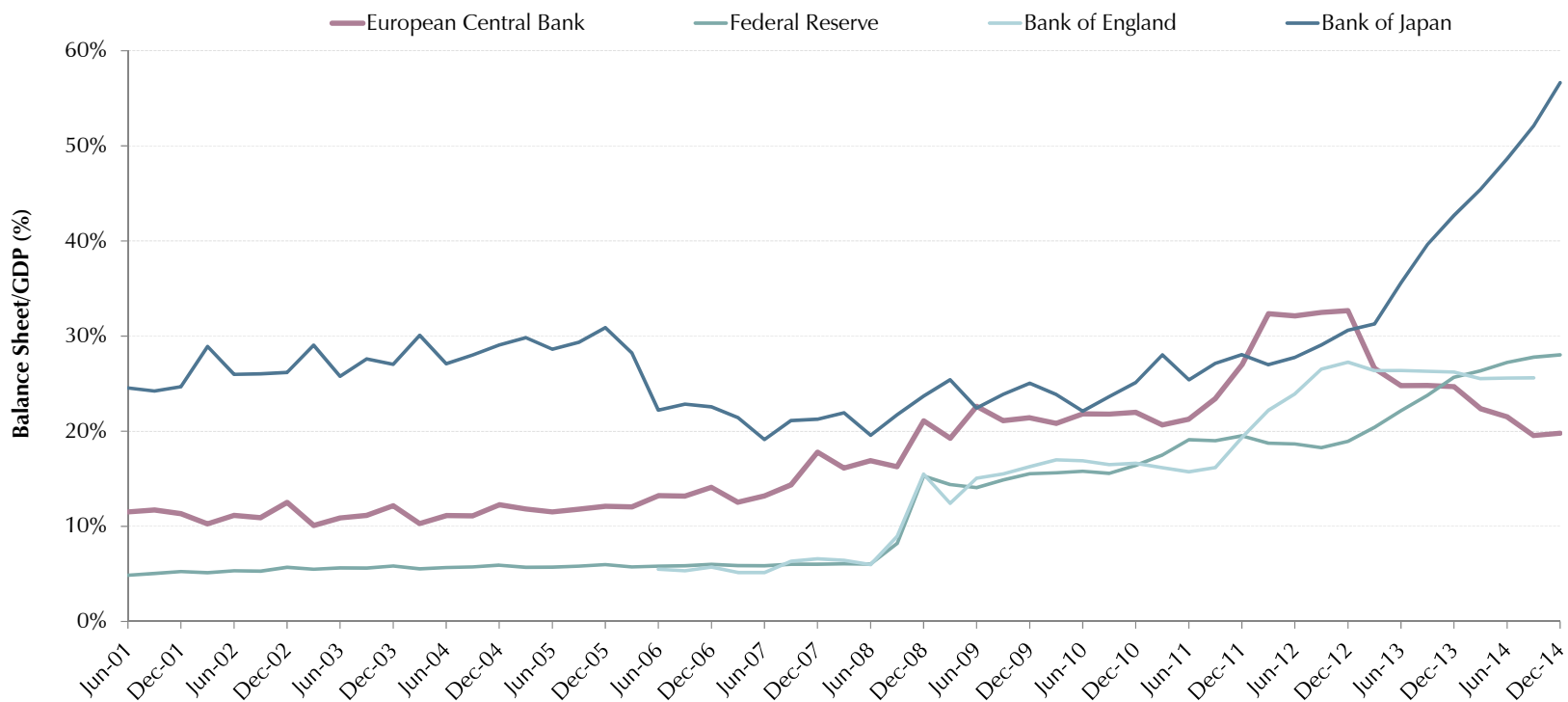
Oil Price



- Oil prices have declined recently to levels not seen since early 2009, partially due to increased supply from “fracking” in the U.S., slowing global demand, and a stronger dollar.
- The net impact of lower oil prices is uncertain, with consumers and oil importers benefiting, and oil-related companies and exporters being negatively impacted.



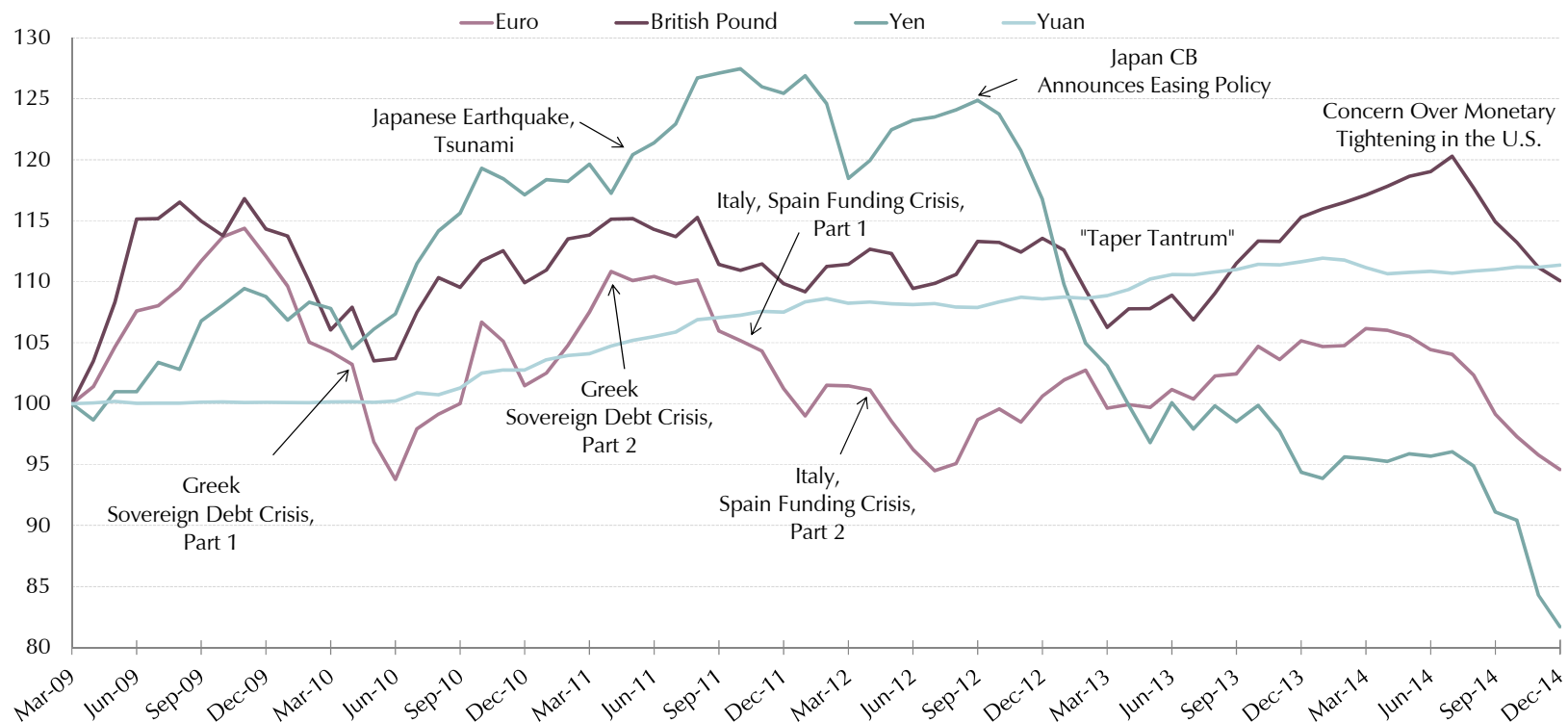
Central Bank Balance Sheets as a Percentage of GDP



Source: Bloomberg, IMF. Data is as of December 31, 2014 with the exception of the Bank of England which is through September 30, 2014.

- In an attempt to spur growth, the world’s major central banks have expanded their balance sheets to record levels.
- The Bank of Japan has particularly implemented aggressive monetary policy as a part of its “three arrows” approach to fighting decades of deflation. The bank’s balance sheet reached 56.6% of GDP at year-end.

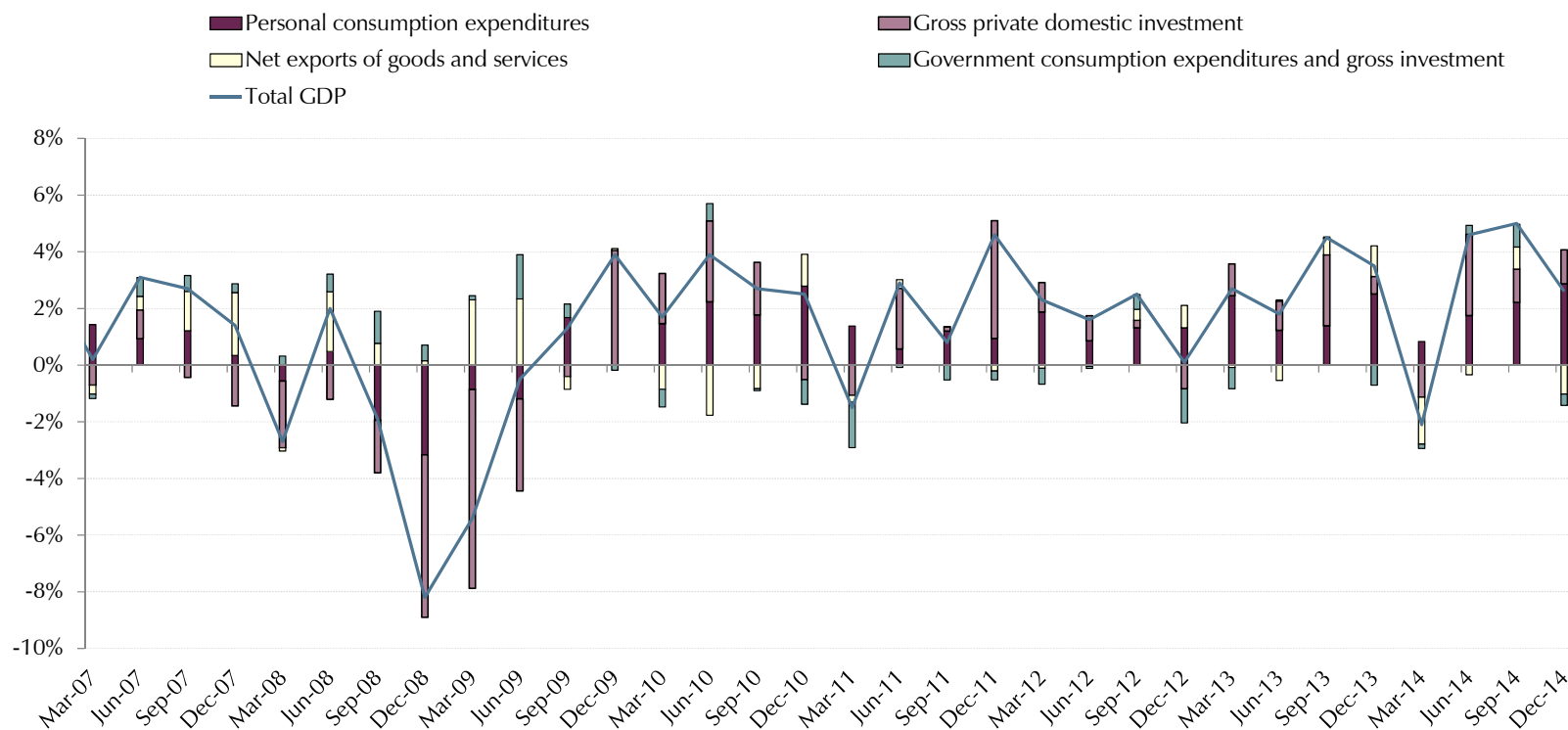
Major Currency Values vs. U.S. Dollar



Source: OANDA. Data is as of December 31, 2014. Data assumes a March 2009 base value of 100 for the Euro, Yen, and Yuan versus the U.S. Dollar.

- As investors anticipate the Federal Reserve increasing interest rates, the U.S. dollar has strengthened against most major currencies.
- Going forward, a strong dollar could weigh on imports and commodity prices denominated in dollars.

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



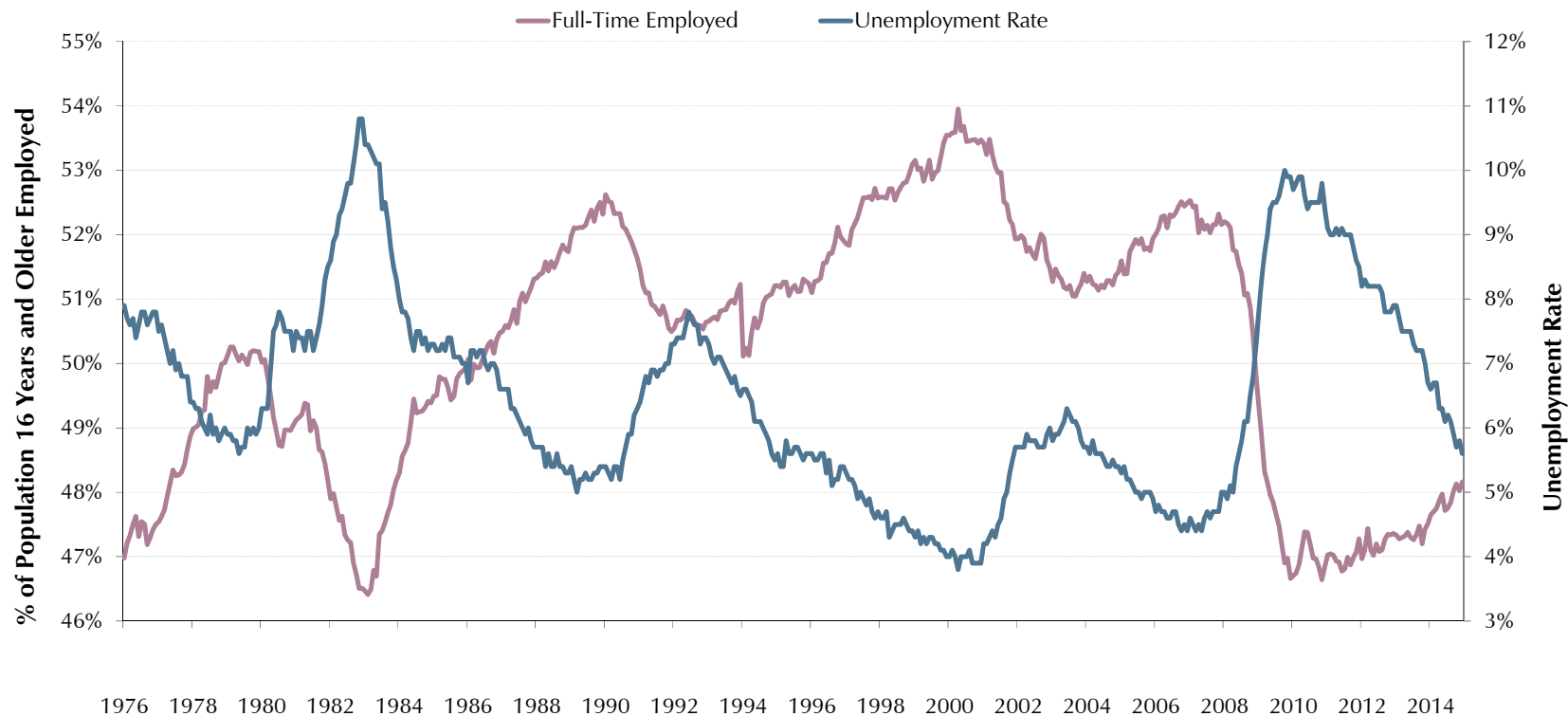
Source: U.S. Bureau of Economic Analysis. Data is as of December 31, 2014.

- In the fourth quarter, U.S. GDP expanded at an annualized rate of 2.6%, down from the 5.0% level of the prior quarter.
- Personal consumption was the largest contributor to fourth quarter growth, while net exports was a detractor, due in part to the strengthening dollar.

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



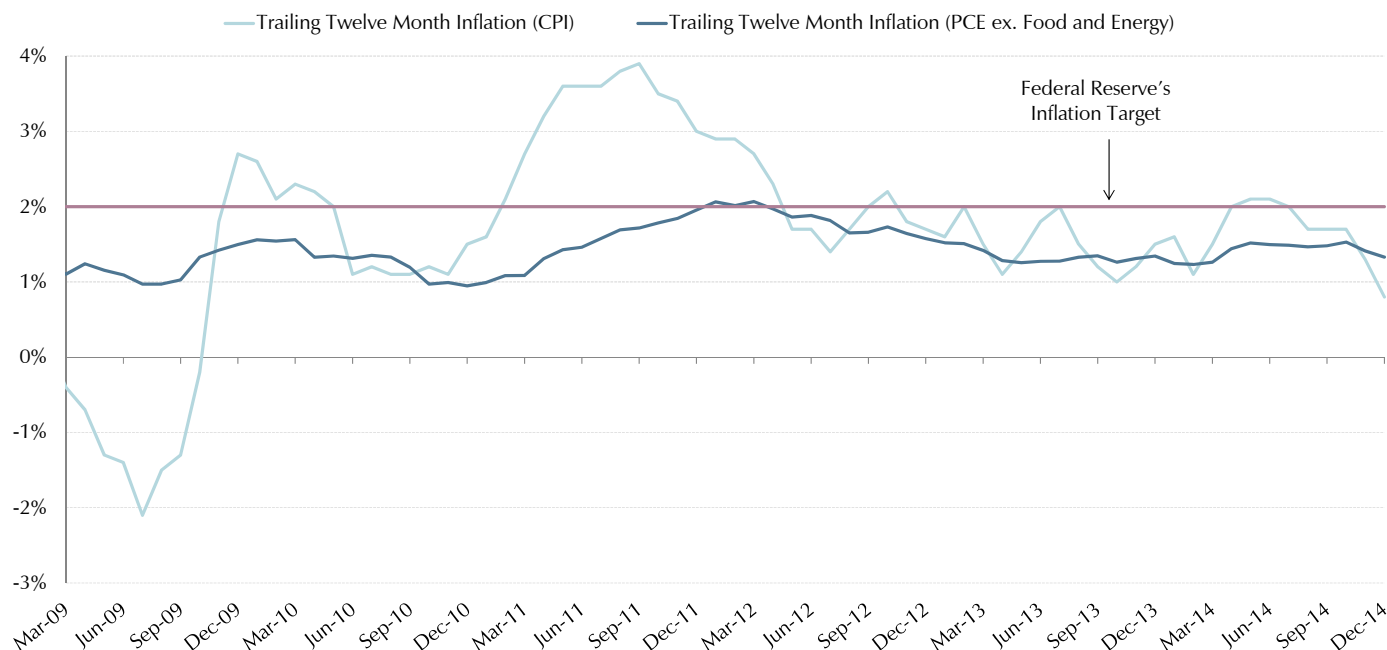
### U.S. Employment



Source: Bureau of Labor Statistics. Data is as of December 31, 2014.

- The U.S. unemployment rate reached 5.6% at the end of December for the first time since 2008. The percentage of the population that is employed has shown signs of improvement recently, but remains below 50%.
- The U.S. Federal Reserve has cited the improving employment picture in the U.S. as it considers tightening monetary policy.

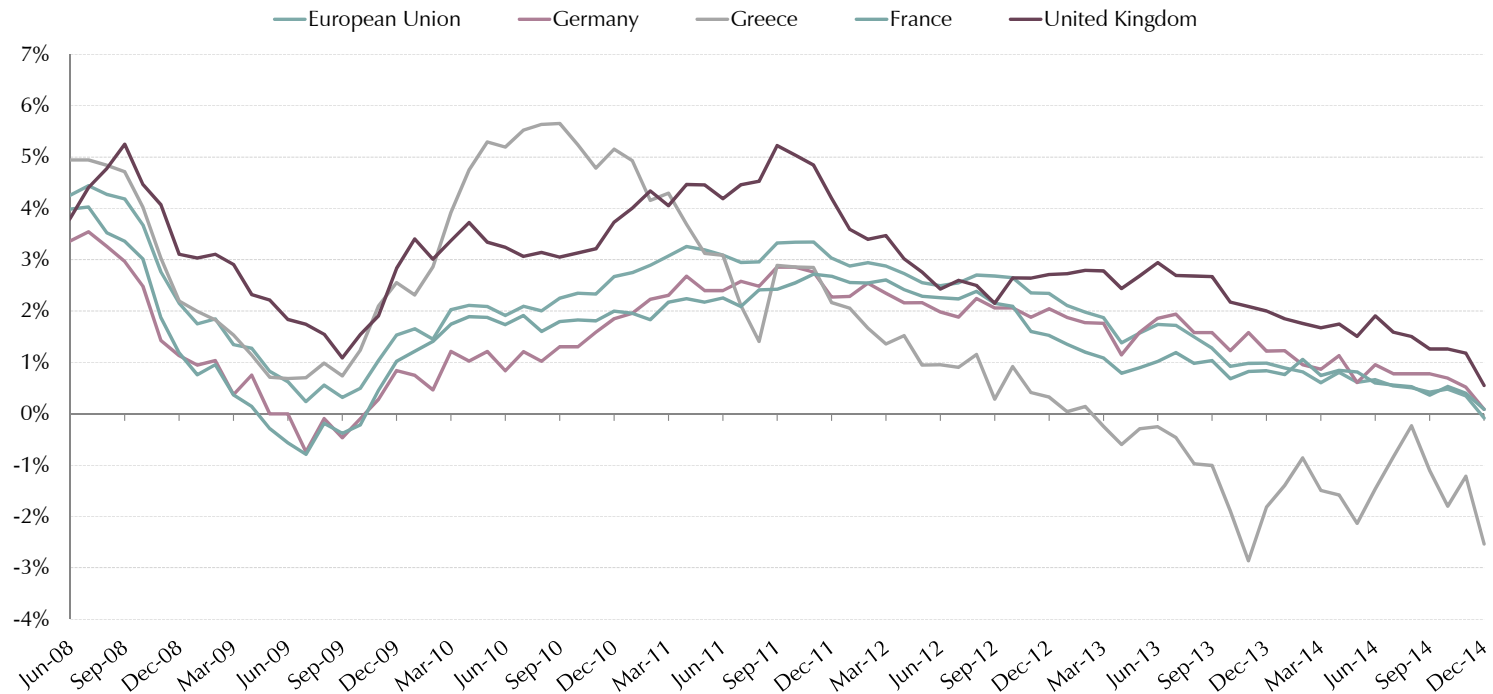
### U.S. Inflation



Source: Bloomberg. Data is as of December 31, 2014.

- At the Federal Reserve’s recent meeting it was noted that rate hikes could start despite the low inflation levels, given the expectation that inflation would eventually trend upward.
- The central bank’s preferred measure of inflation (PCE ex. food and energy) remains below its tolerance level (1.3% versus 2.0%).
- Including food and energy, prices recently declined, due mainly to falling energy prices, particularly gasoline.

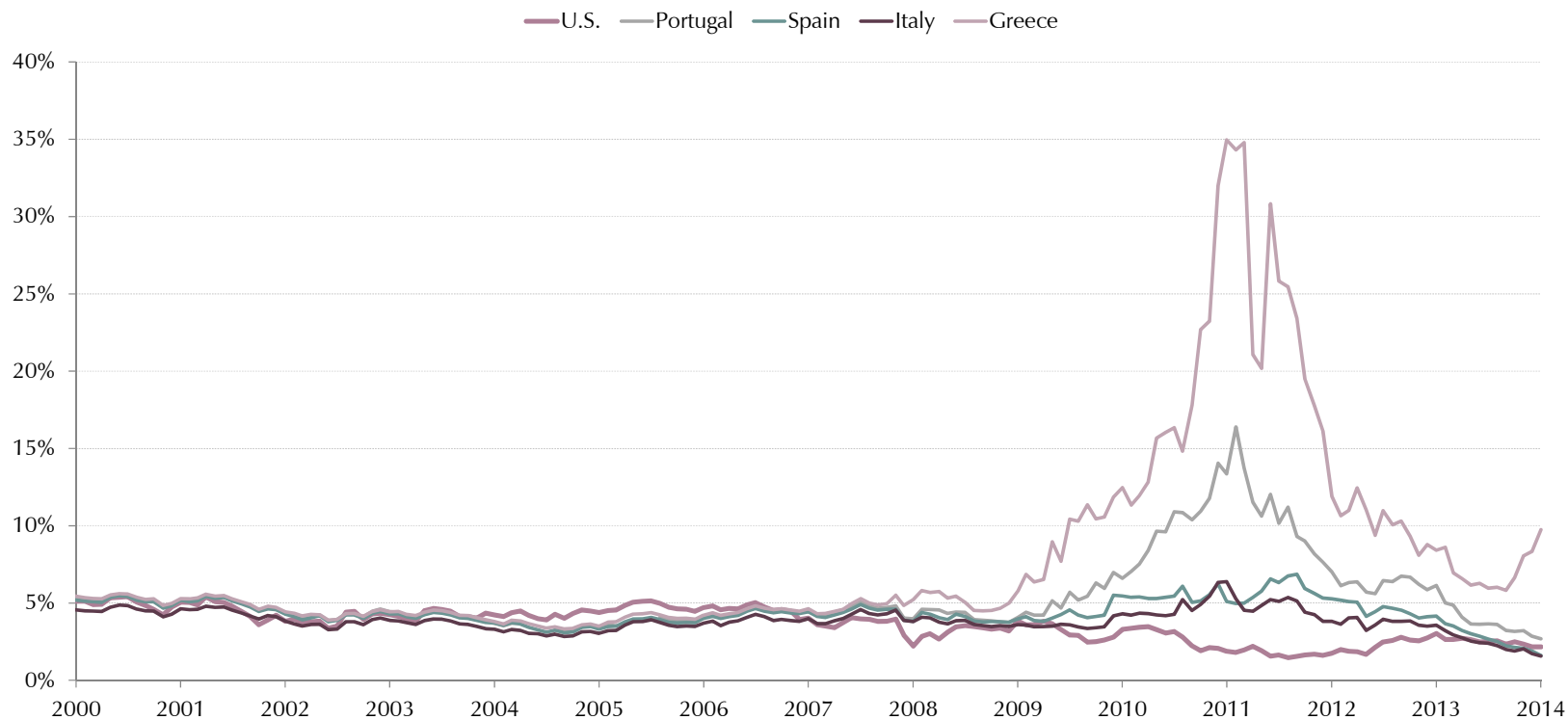
European Inflation



Source: Eurostat. Data is as of December 31, 2014.

- Deflationary pressures persist in Europe, as growth remains tepid and unemployment high.
- The European Central Bank (ECB) recently announced that it would begin an asset purchase program (i.e., quantitative easing) to further fight deflation.

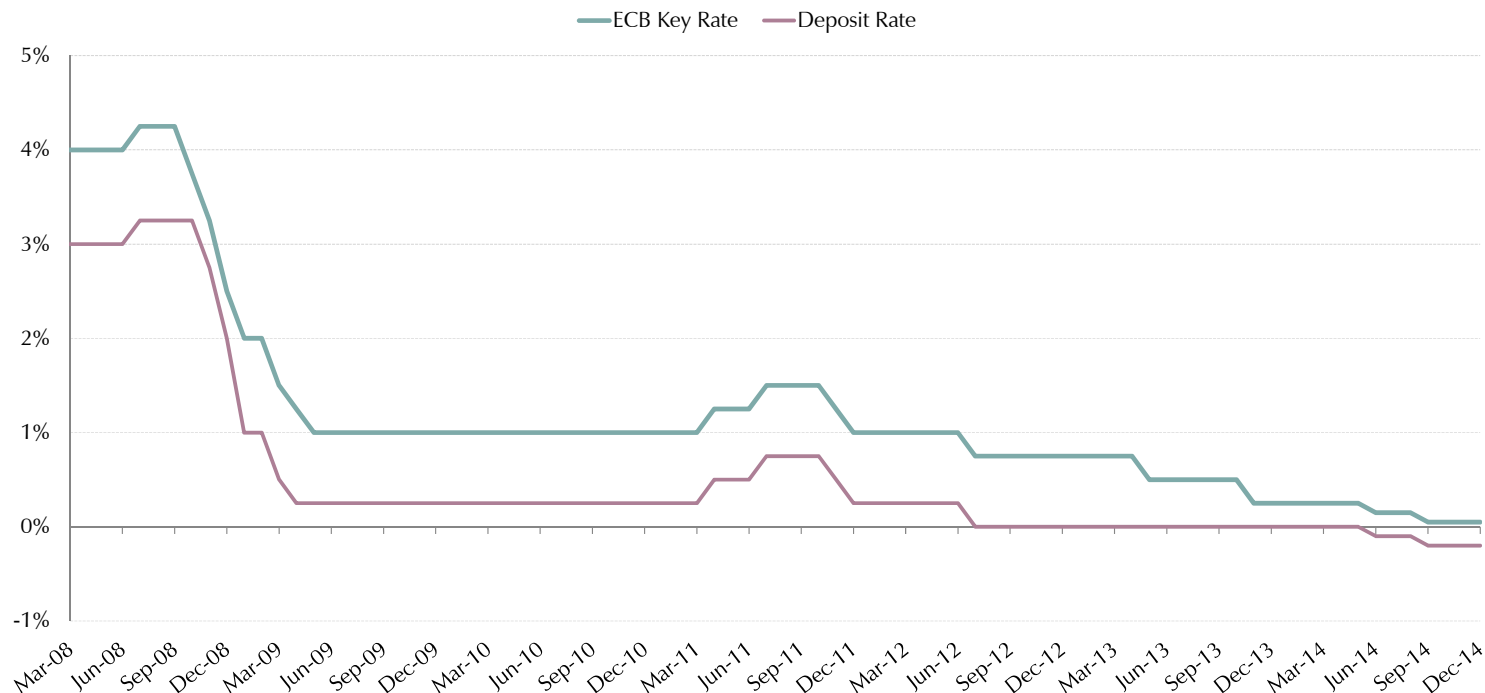
10-Year Government Bond Yields



Source: Bloomberg. Data is as of December 31, 2014.

- Bond yields on peripheral European countries remain close to or below the U.S. despite financial risk. At quarter-end the yields on Spanish (1.6%) and Italian (1.6%) government bonds were below the U.S. (2.2%).
- Yields in Greece rose to 9.8% at year-end over concerns of a potential exit from the Eurozone after the January elections.

European Interest Rates

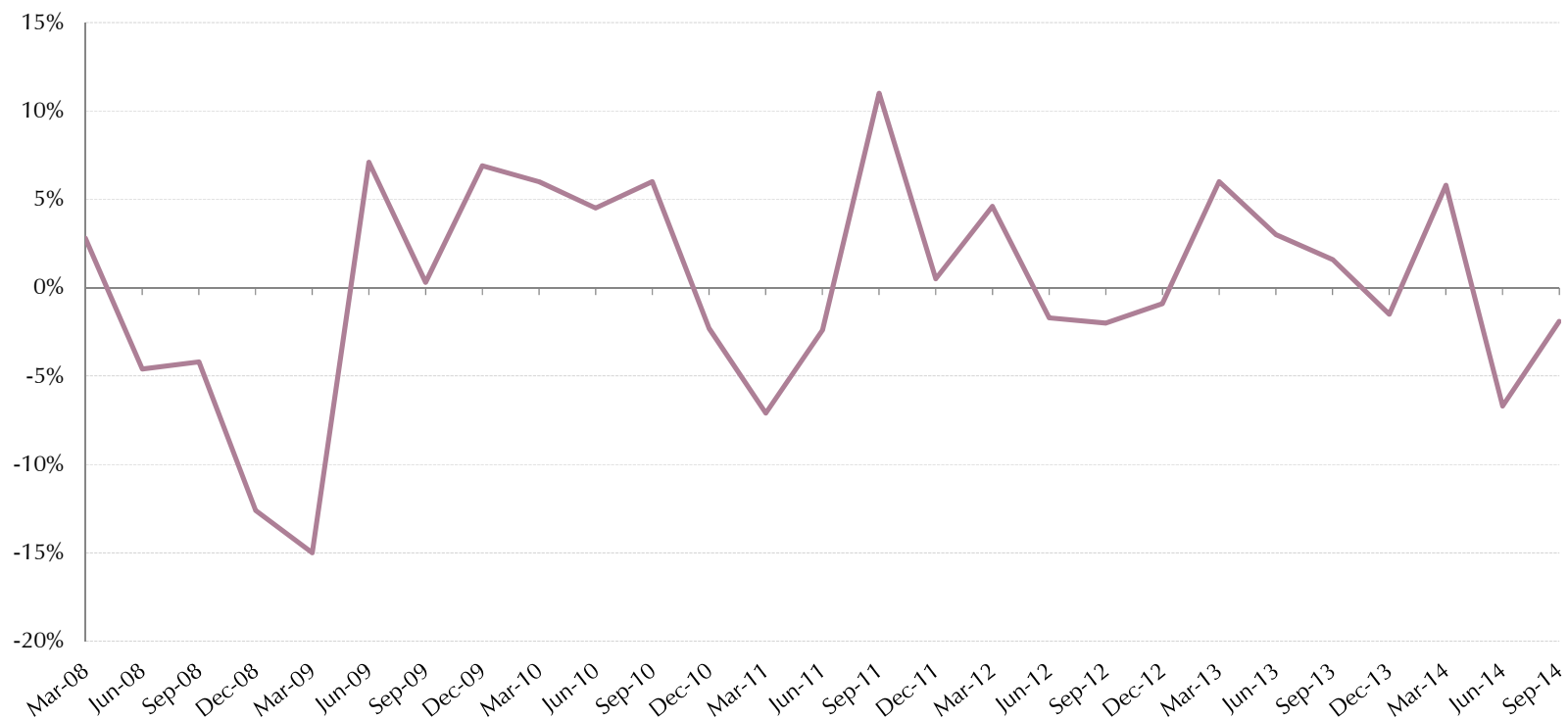


Source: Bloomberg. Data is as of December 31, 2014.

- The ECB continues to maintain interest rates at close to 0% and bank deposit rates in negative territory (-0.2%). The latter an effort to encourage banks to lend their surplus reserves.



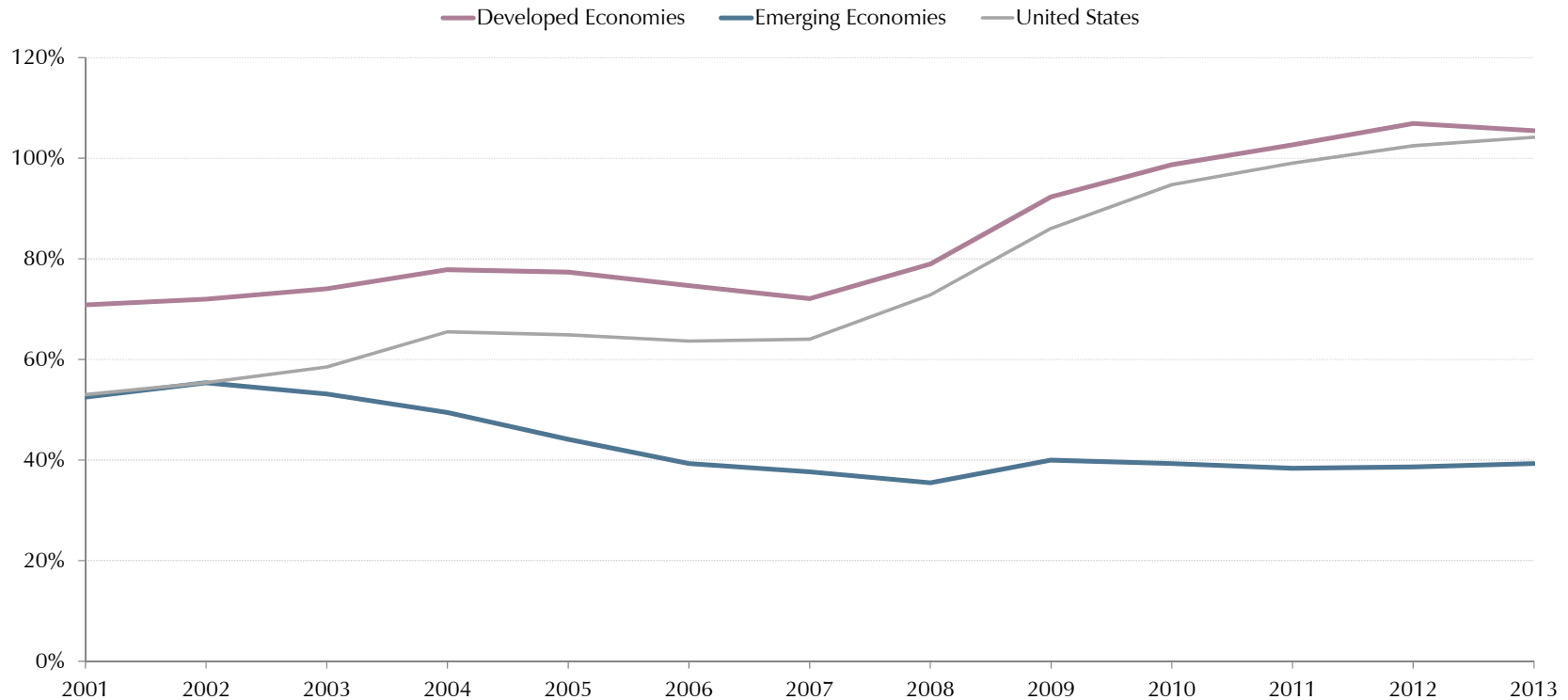
Japan Quarterly Real GDP (Annualized)



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

- Japan’s economy has reentered recession despite historic fiscal and monetary stimulus efforts.
- Consumer spending, the driving force of the economy, remains weak in the face of a falling yen, stagnant wages, and a recent sales tax increase.

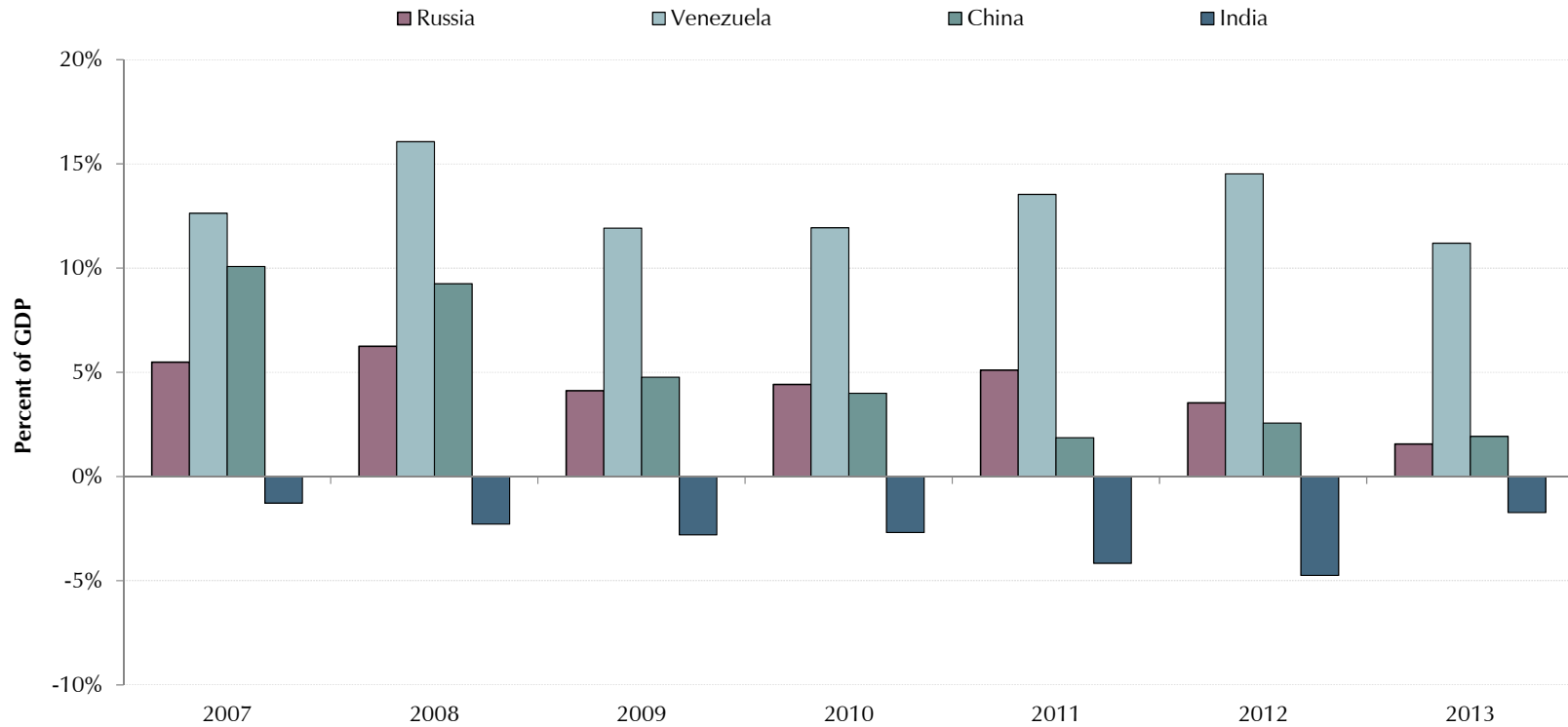
Government Debt as a % of GDP



Source: IMF.

- The long-term growth thesis remains in place for emerging markets despite the recent disparity in investment returns compared to the U.S.
- Lower debt levels, improving demographics, and opportunities for improving productivity should help bolster emerging economies' growth going forward.

Current Account Balances



Source: IMF.

- Declining oil prices have benefited emerging market economies that are net energy importers (e.g., China and India) and hurt countries that are net exporters (e.g., Russia and Venezuela).
- For perspective, oil and gas account for 96% and 70%, respectively, of Venezuela and Russia's export income.

## Summary

**Four primary concerns face the global economy: 1) slow or declining growth in Europe and Japan; 2) the diminishing effectiveness of monetary policy globally; 3) divergent growth in emerging economies; 4) increased geopolitical tensions.**

- In Europe, growth remains weak, while Japan has slipped back into recession. Deflation remains a key concern in both economies, as well. A prolonged slowdown in these major economies could weigh heavily on global demand and be disruptive to markets and growth.
- The world's major central banks, including the U.S., Japan, and Europe, have all implemented historic monetary stimulus, reducing interest rates to close to 0% and injecting large scale stimulus into banks through quantitative easing. In light of recent measures, central banks are left with few tools to combat another major decline in growth.
- Growth in emerging economies could vary dramatically going forward. China's growth recently slowed, as it transitions from an investment-based growth model to a more consumption-based growth model. Alternatively, India has been a bright spot in the emerging economies, with its current account deficit declining, and currency strengthening, in light of recent government measures.
- The decline in oil has the potential to create geopolitical tensions, particularly related to those countries that rely heavily on oil revenues. Other issues that remain unresolved include the rise of ISIS, the conflict between Ukraine and Russia, and the civil war in Syria.

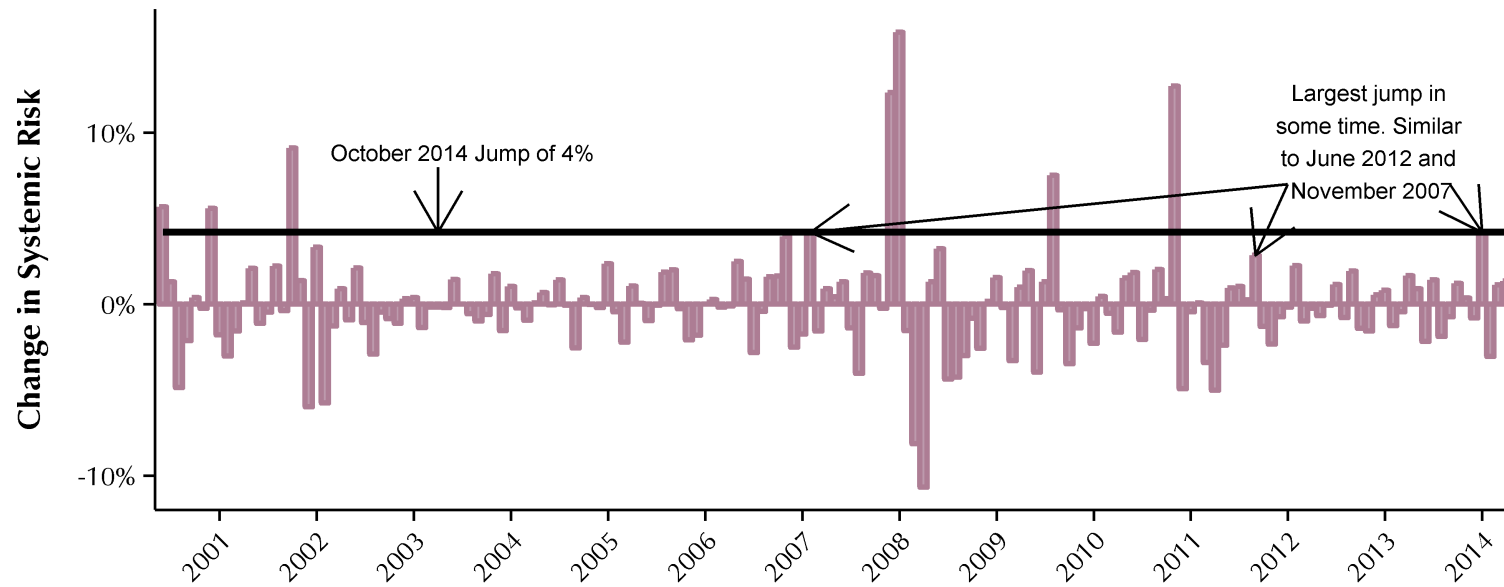
# Capital Markets Outlook

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

- Investors are faced with four primary issues in the near-term: 1) historically low bond yields, 2) the potential for a transition into a rising rate environment, 3) the potential for deteriorating corporate earnings, and 4) the possibility of much lower energy prices for a sustained period.
  - The price of the U.S. stock market relative to ten-year average earnings has increased from the beginning of the year, remaining above its historical average (29.7x versus 21.6x).
    - Small cap domestic stocks' valuations remain expensive relative to large cap stocks.
  - Developed international and emerging market stocks are trading at lower valuations than U.S. stocks.
    - Sovereign debt issues and weak economic growth in Europe, and a cyclical slowdown in emerging economies, are weighing down valuations.
  - Systemic risk metrics remain at a tolerable level.
    - However, monetary policy changes by central banks could have a meaningful impact.
  - At the end of December, spreads for high yield corporate bonds (4.8% versus 5.5%) were below the term average. Investment grade bond spreads (at 1.5%) were back to their long-term average.
  - At 2.2%, the yield on the ten-year Treasury remained far below its post-WWII average of 5.6%.
  - Low yields on fixed income instruments are likely to push long-term investors further out on the risk spectrum as they seek to achieve their target returns, while short-term investors may look to cash for safety.
  - Crude Oil prices have recently plunged which has had wide ranging effects across several markets.

<sup>1</sup> Sources: Thomson Reuters, U.S. Treasury, Standard & Poor's. Data is as of December 31, 2014.

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

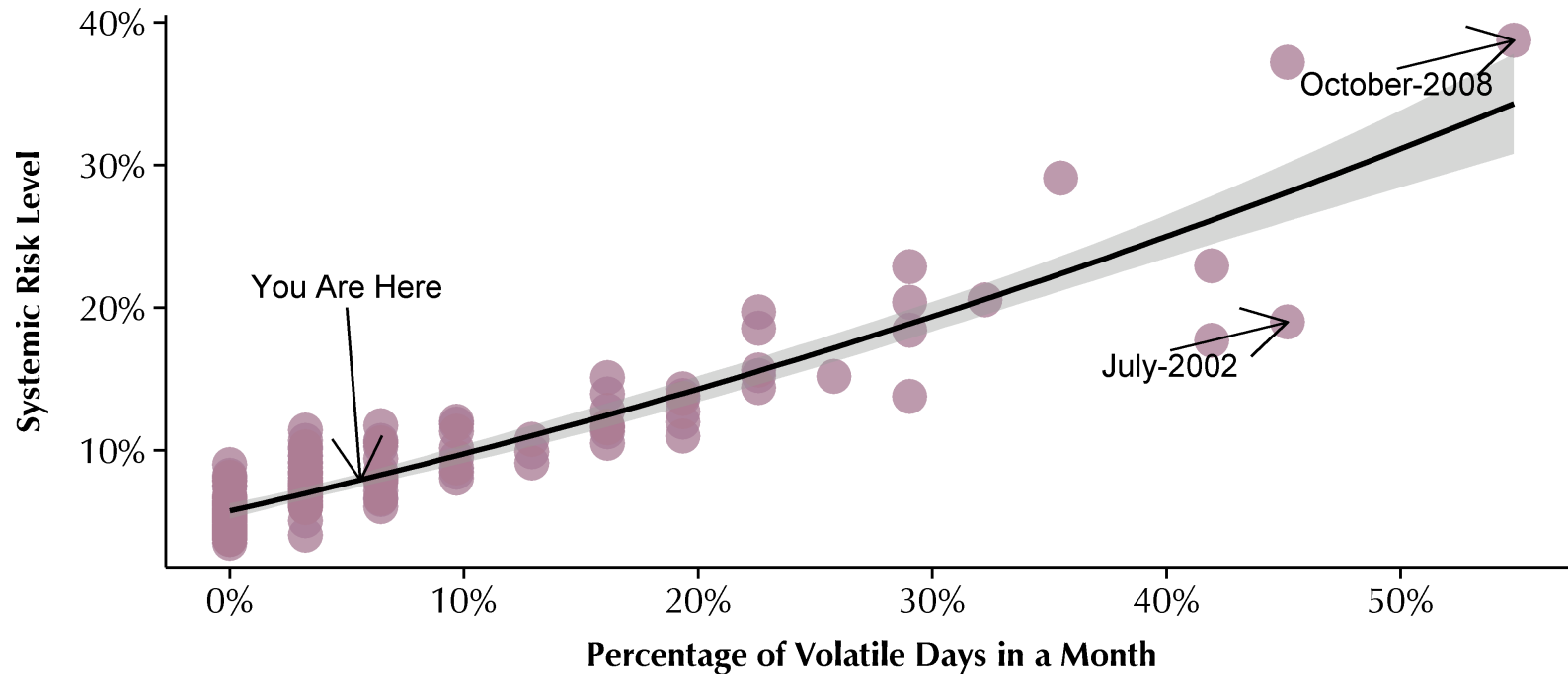


- Recent Systemic Risk changes, including jumps like the one that occurred in October, are not uncommon.

<sup>1</sup> Source: Meketa Investment Group, as of January 15, 2015.



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

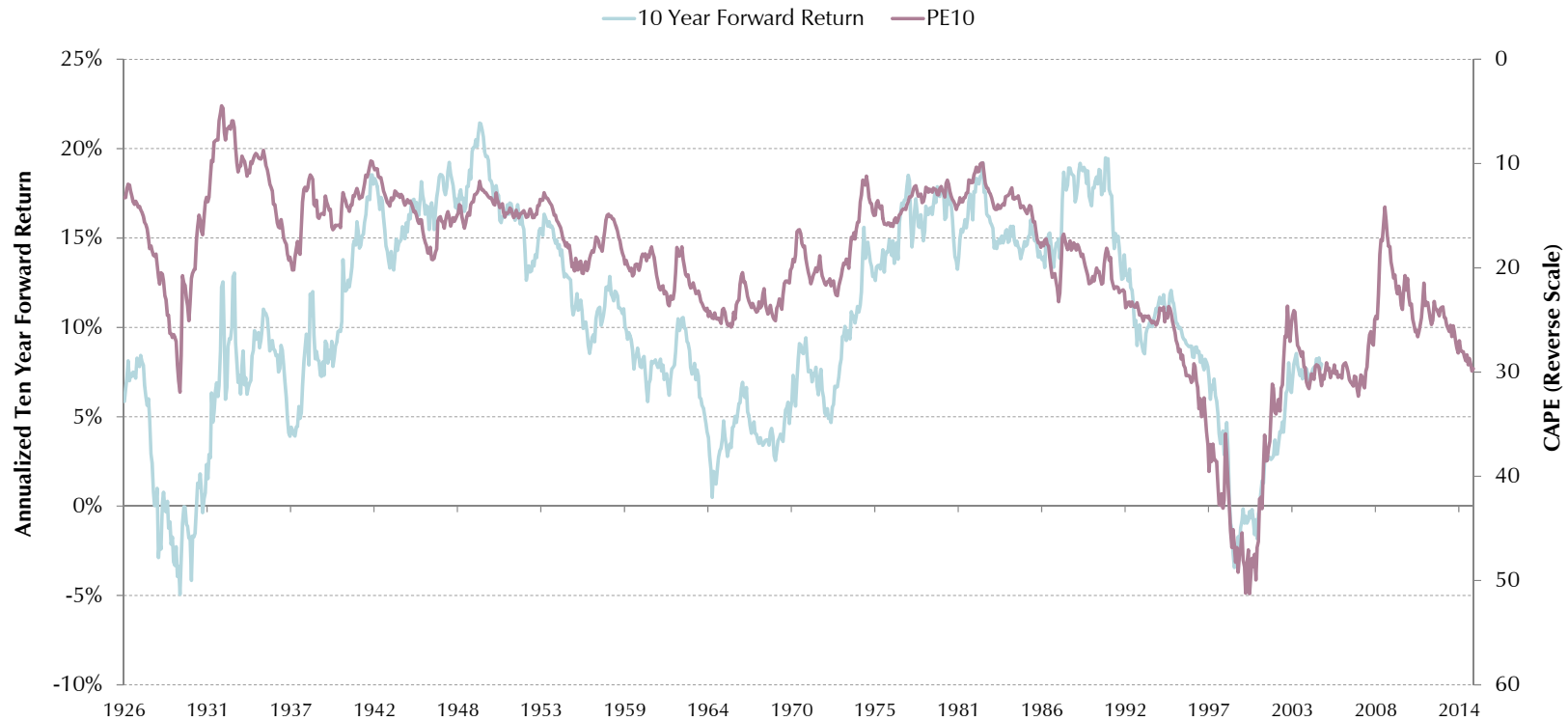


- Systemic Risk is important because the more contagion of risk that exists between assets the more likely it is that markets will experience volatile periods.
- Despite the somewhat elevated level of market volatility, overall Systemic Risk levels remain in a tolerable range.

<sup>1</sup> Source: Meketa Investment Group, as of January 15, 2015. Volatile days are defined as the top 10 percent of realized turbulence which is a multivariate distance between asset returns.

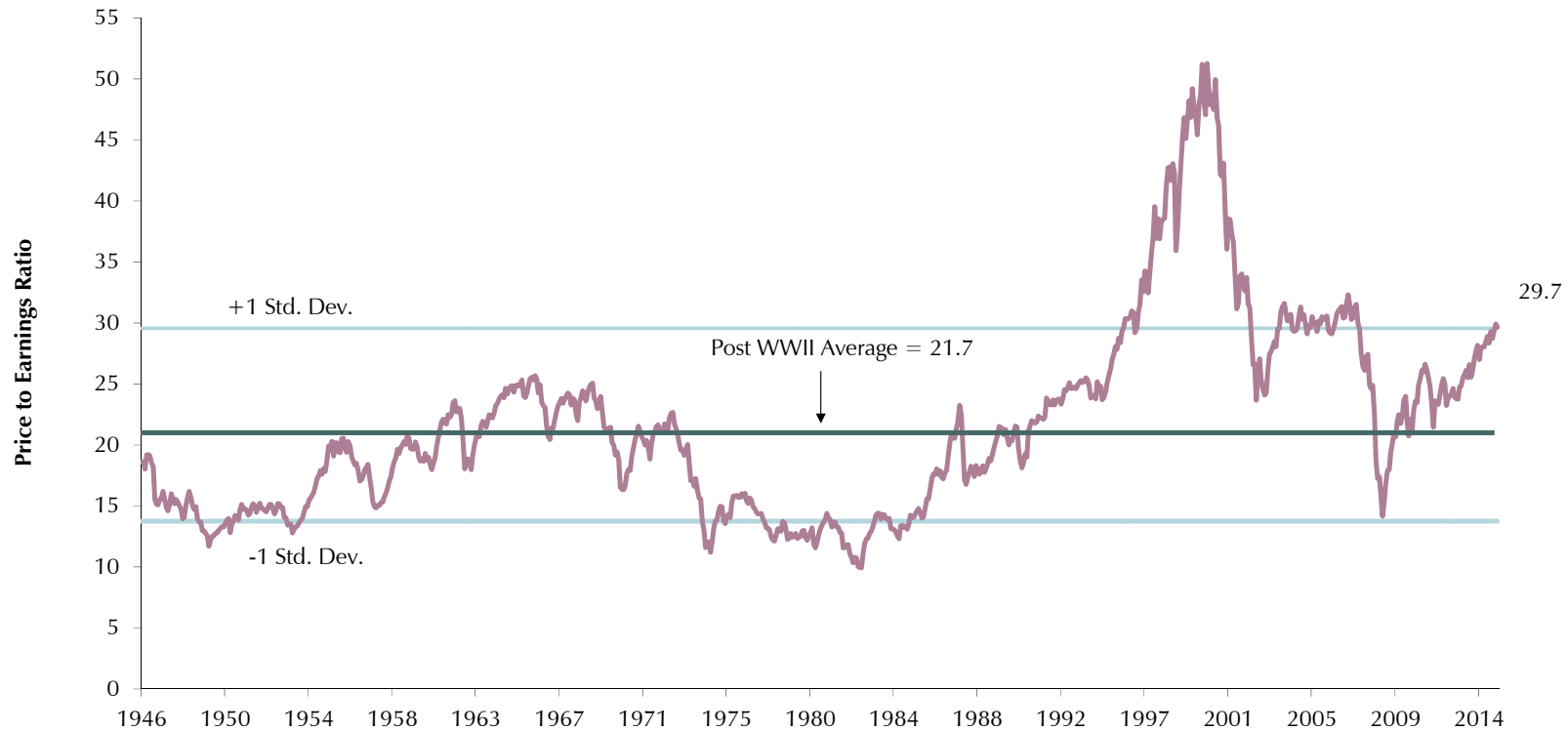


## The U.S. Cyclically Adjusted P/E<sup>1</sup> and Long-Term Equity Returns



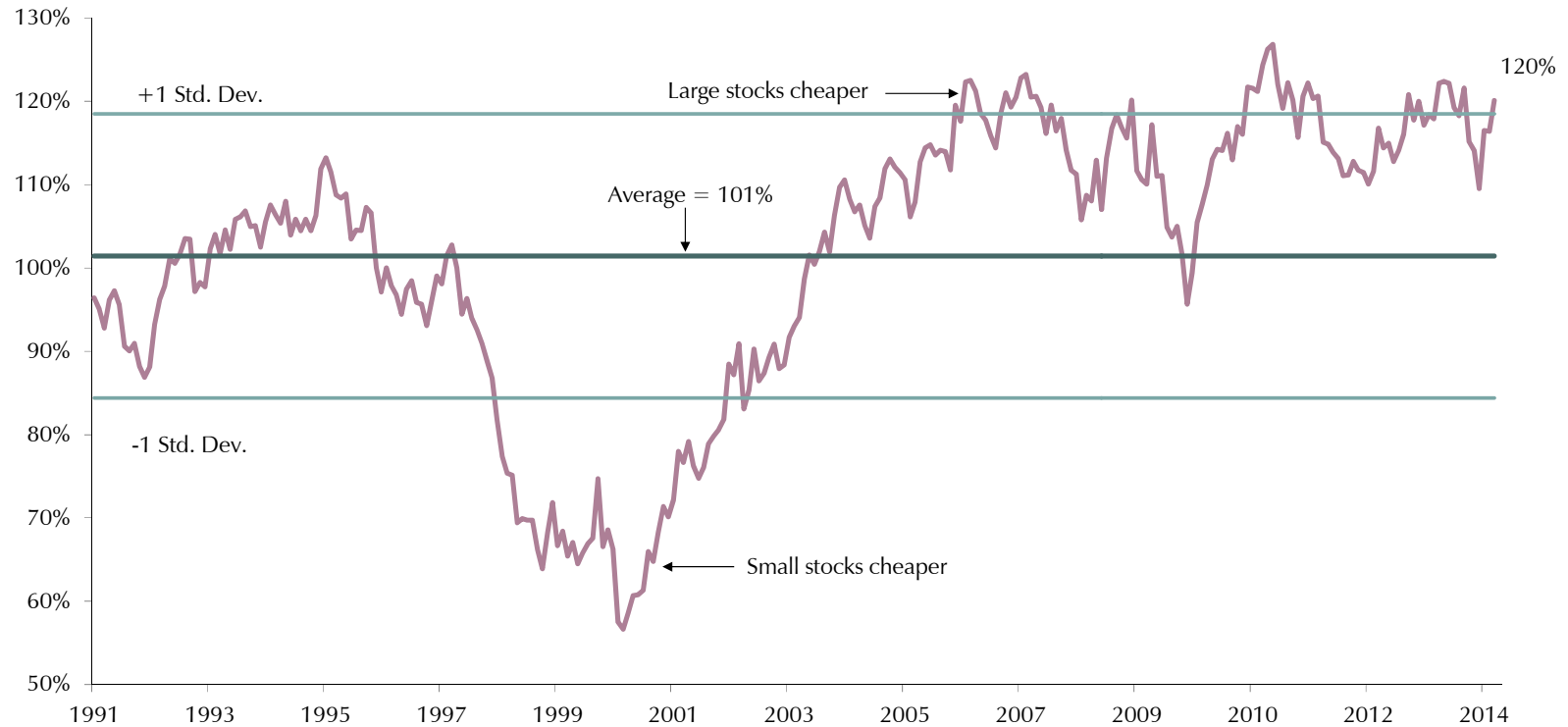
- One of the most powerful predictors of long-term equity returns has been the Cyclically Adjusted Price to Earnings Ratio (CAPE).
- This fundamentally driven measure is highly correlated with future returns which are shown in the chart above using the CAPE metric on a reverse scale.

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

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

- The cyclically adjusted P/E ratio for the S&P 500 finished December at 29.7x, above its post-WWII average of 21.6x.
- Recent strong performance has driven this valuation measure one full standard deviation above the long-term average. Historically, a P/E ratio at this level has led to lower than average future returns over a 10 year horizon.

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

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

- The P/E ratio of small cap stocks (Russell 2000) relative to large cap stocks (Russell 1000) points to comparatively expensive small cap stocks.
- After recovering the relative price declines experienced by small cap stocks during the most recent bout of market volatility, this metric is back near one full standard deviation above the long-term average.

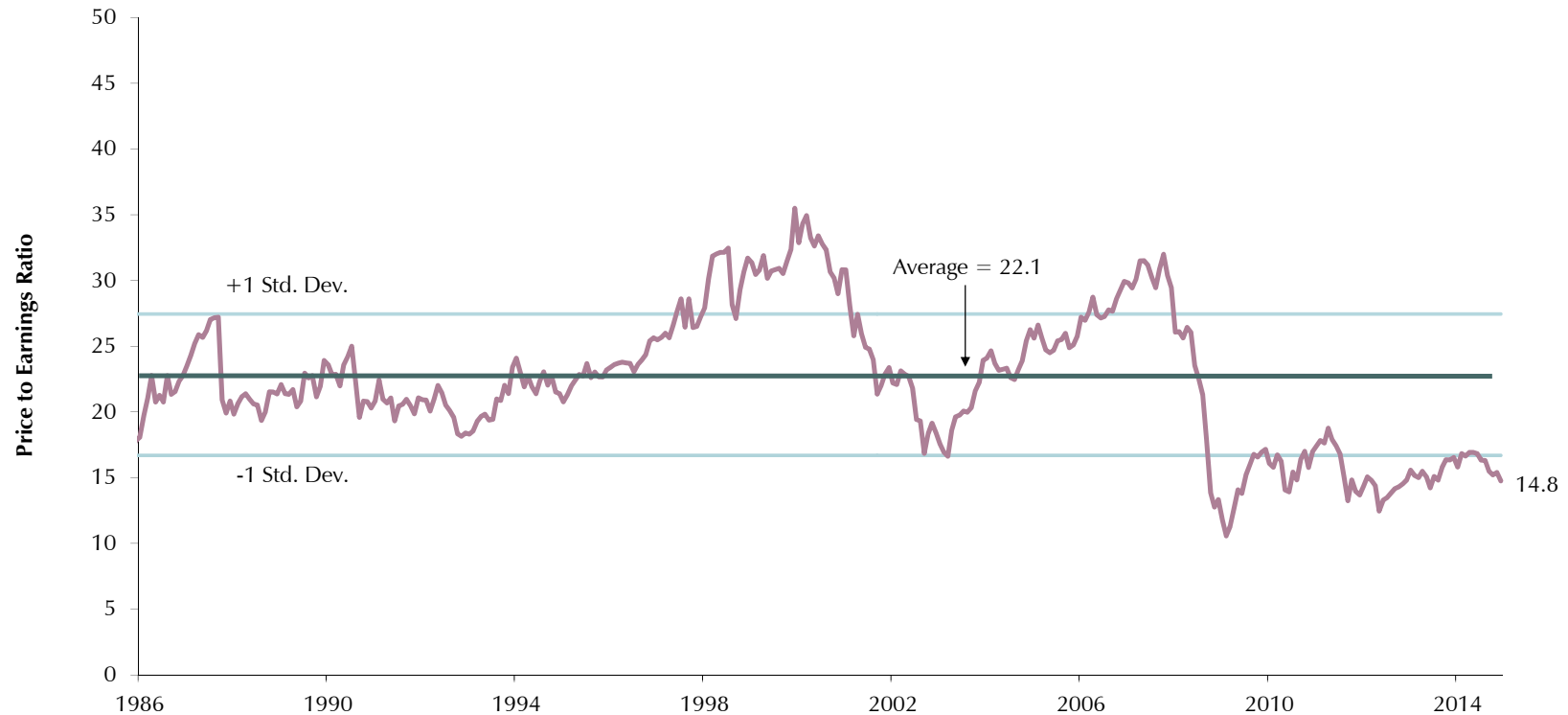
<sup>1</sup> Source: Russell Investments. Earnings figures represent 12-month "as reported" earnings. Data is as of December 31, 2014.

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



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

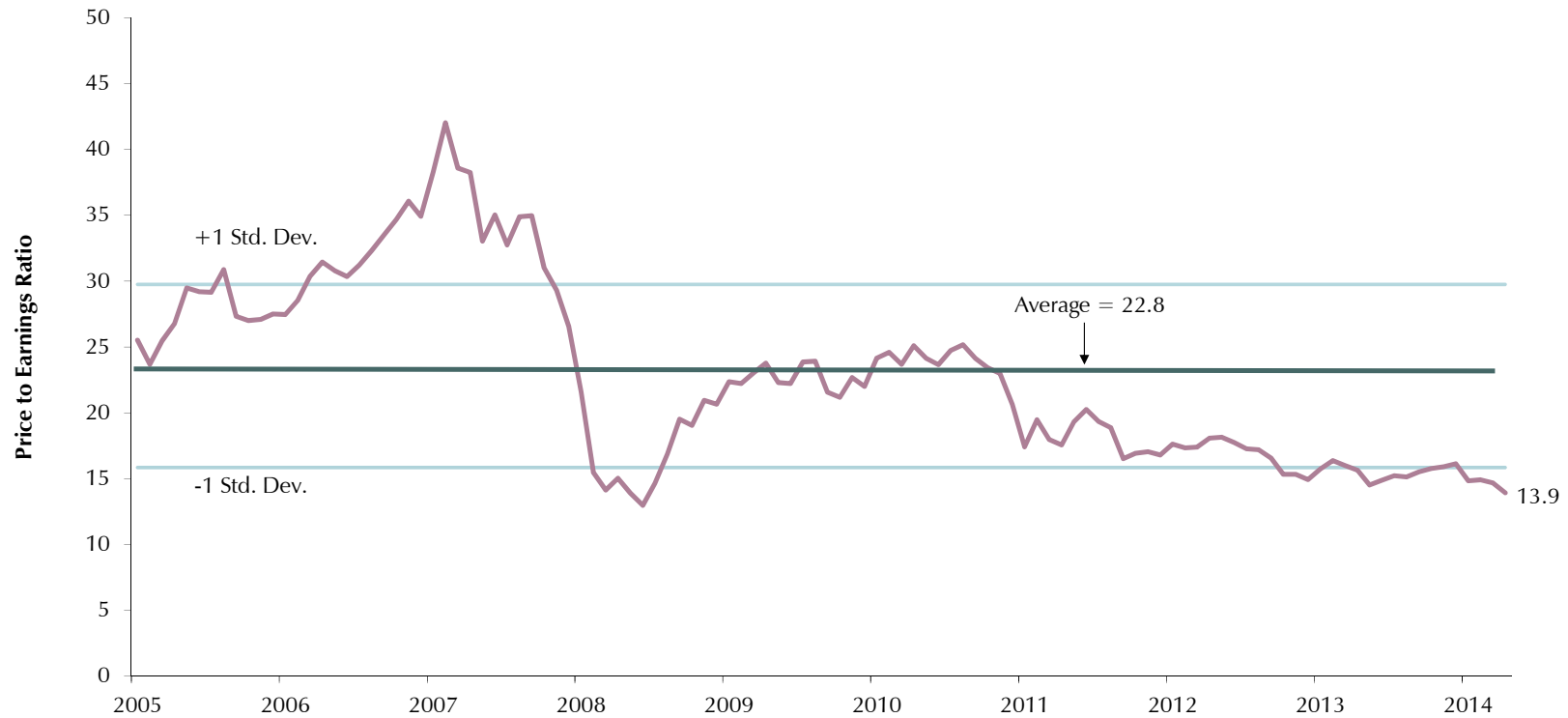
<sup>1</sup> Source: Russell Investments. Earnings figures represent 12-month "as reported" earnings. Data is as of December 31, 2014.

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

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

<sup>1</sup> Source: MSCI and Thomson Reuters. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of December 31, 2014.

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



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

<sup>1</sup> Source: MSCI and Thomson Reuters. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of December 31, 2014.

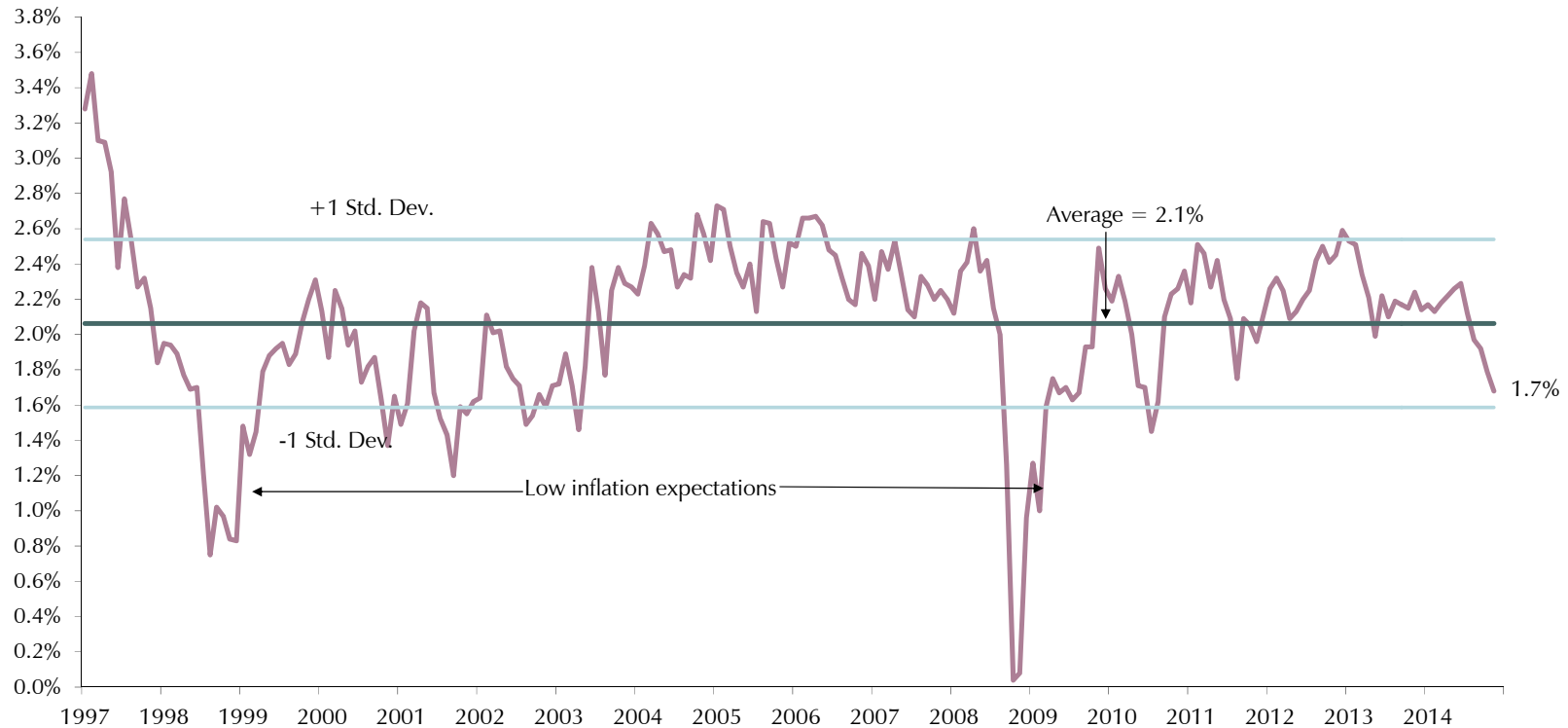


Ten-Year Treasury Yields<sup>1</sup>

- Ten-year Treasury yields were 2.2% at the end of 2014, 0.8% lower than their level at the start of the year and well below their post-WWII average.
- Now that quantitative easing has ended in the U.S., markets have begun to consider when the central bank will begin to raise interest rates.

<sup>1</sup> Source: U.S. Treasury. Data is as of December 31, 2014.

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



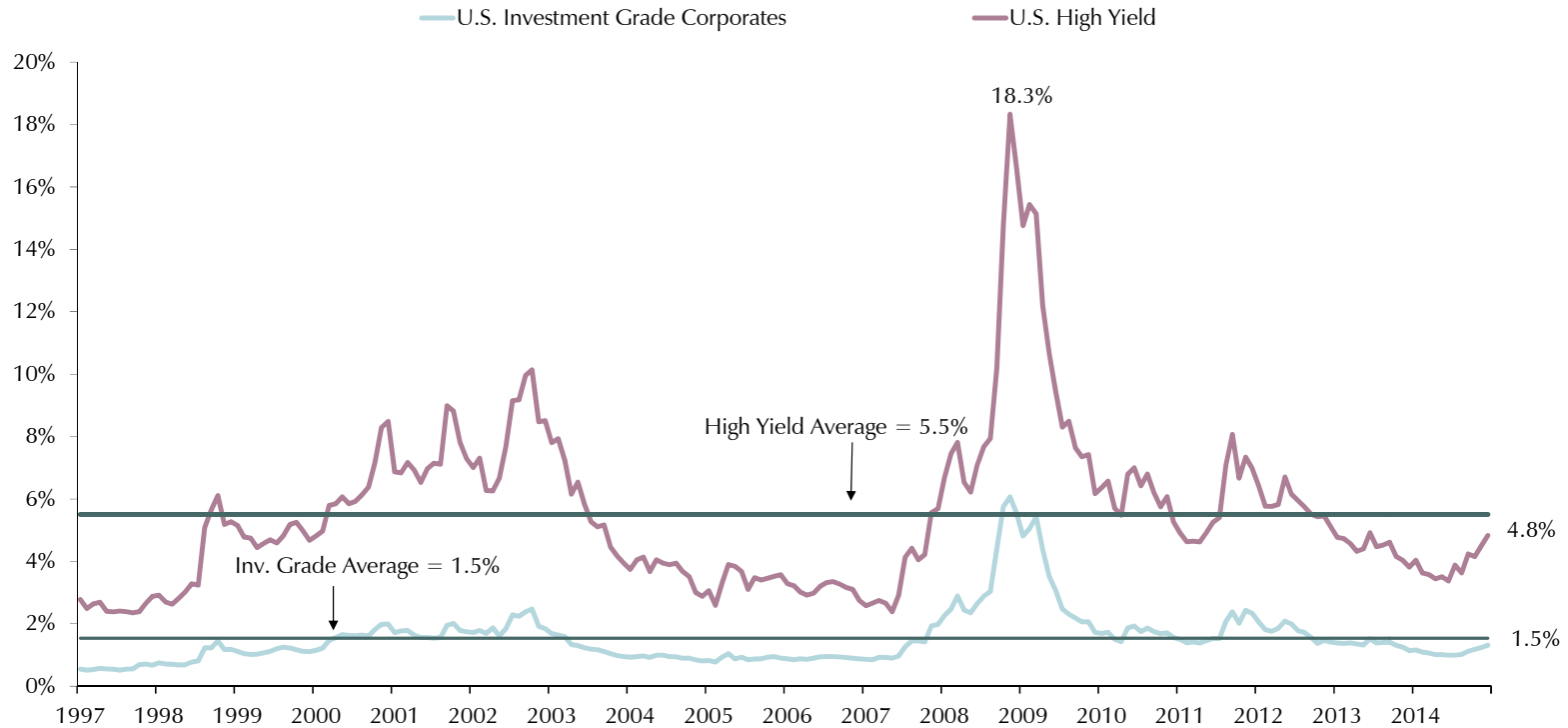
- Breakeven (or expected) inflation, the difference between the nominal yield on a ten-year Treasury and the real yield on a ten-year TIPS, has fallen well below its long-term average.
- The most recent inflation rate year over year was 0.8%. This means actual inflation has been 0.9% below the ten-year breakeven inflation rate.

<sup>1</sup> Source: U.S. Treasury and Federal Reserve. Data is as of December 31, 2014 for TIPS and Treasuries. Inflation is measured by the Consumer Price Index (CPI-U) for which the most recent data point is from December 31, 2014.





Credit Spreads<sup>1</sup>

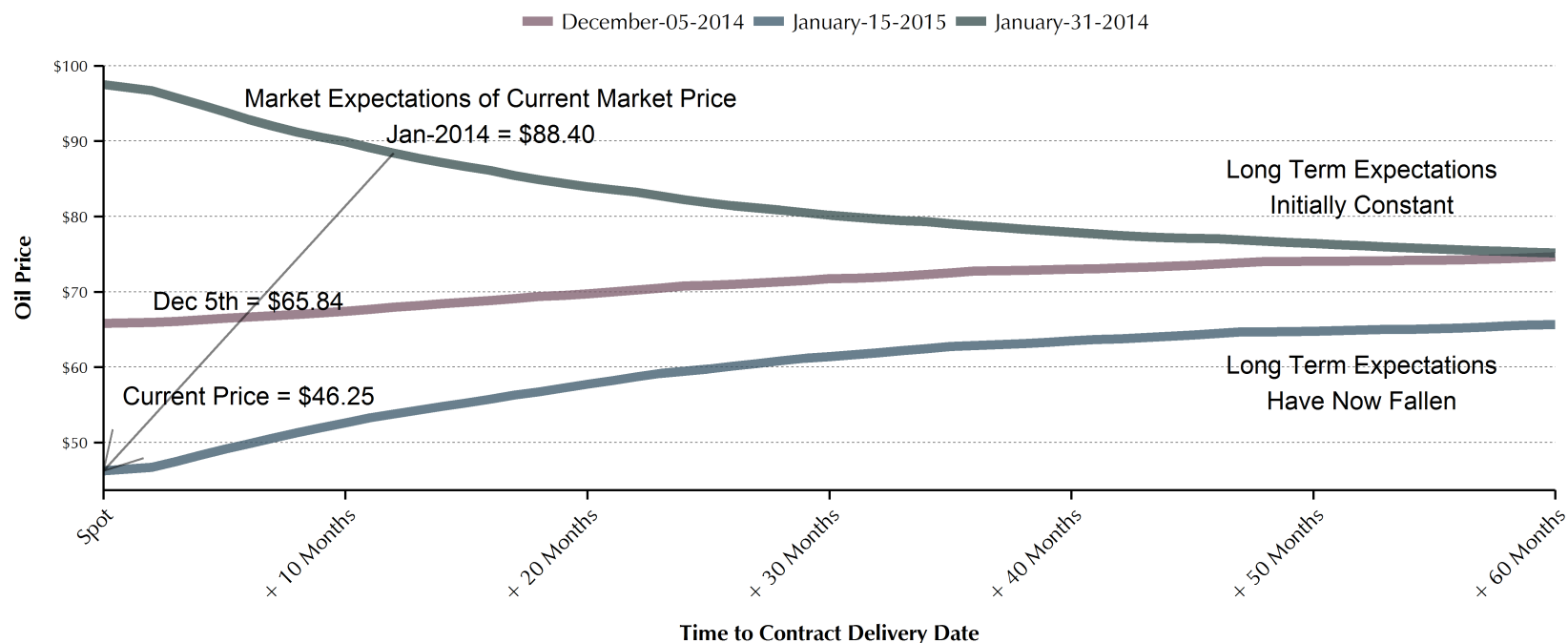


- Credit spreads (versus U.S. Treasury bonds) for both high yield and investment grade corporate bonds finished December closer to their respective historical averages.
- The recent jump in market risk caused a widening in spreads, especially within high yield which was affected by oil price declines.

<sup>1</sup> Source: Barclays Capital. High Yield is proxied by the Barclays High Yield index and Investment Grade Corporates are proxied by the Barclays U.S. Corporate Investment Grade index. Data is as of December 31, 2014.



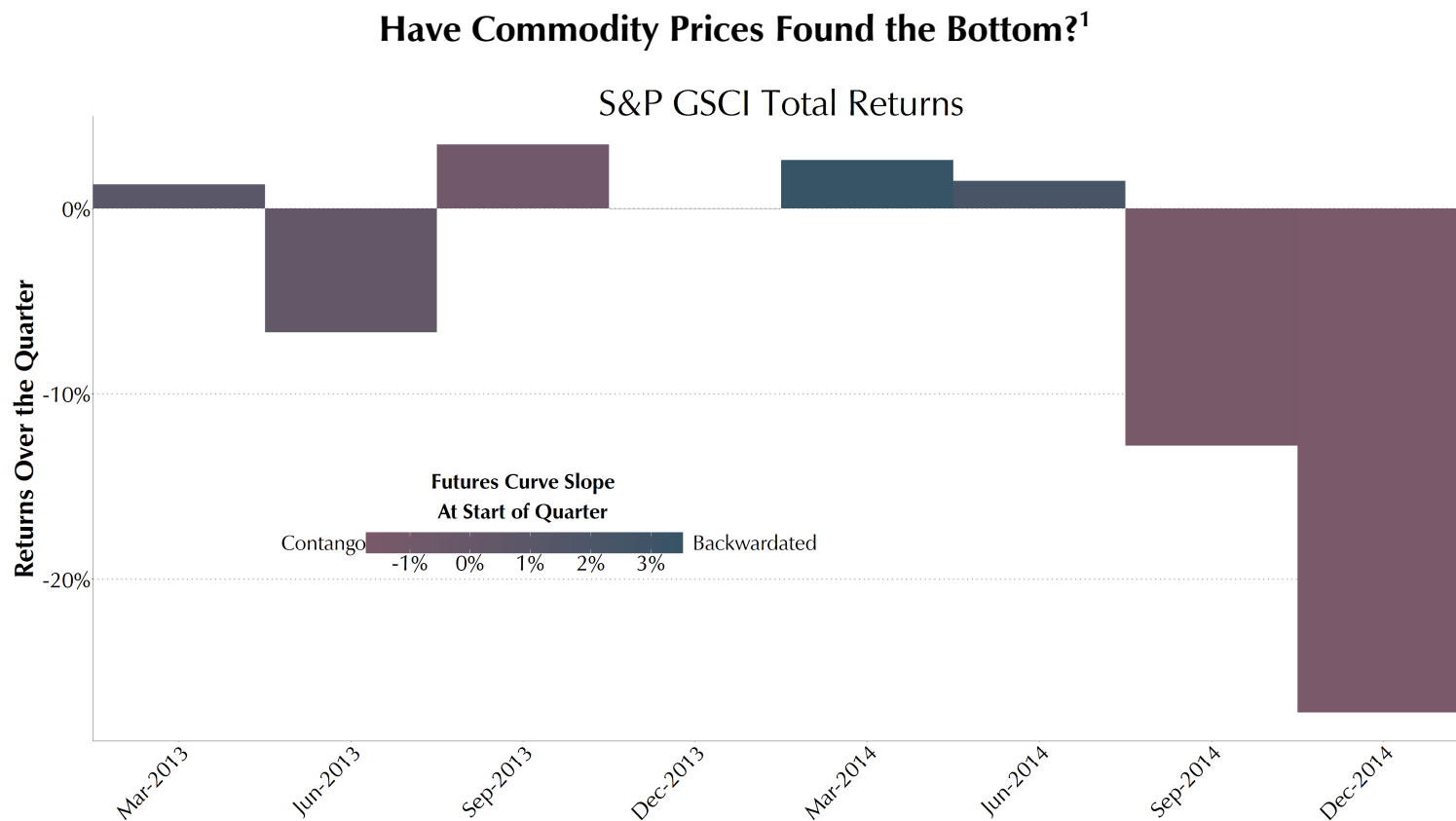
### Oil Price Futures Curves<sup>1</sup>



- The chart above shows the WTI Crude Oil futures prices as of January and December of this year. This highlights how large the recent price fall has been, especially relative to expectations at the beginning of the year.
- Looking further out on the curve we can see that initially long-term price expectations remained the same. As the oil price has continued to fall, long-term expectations have begun to decline as well.

<sup>1</sup> Source: WTI Crude Oil Futures Price via Bloomberg. Data is as of January 15, 2015.

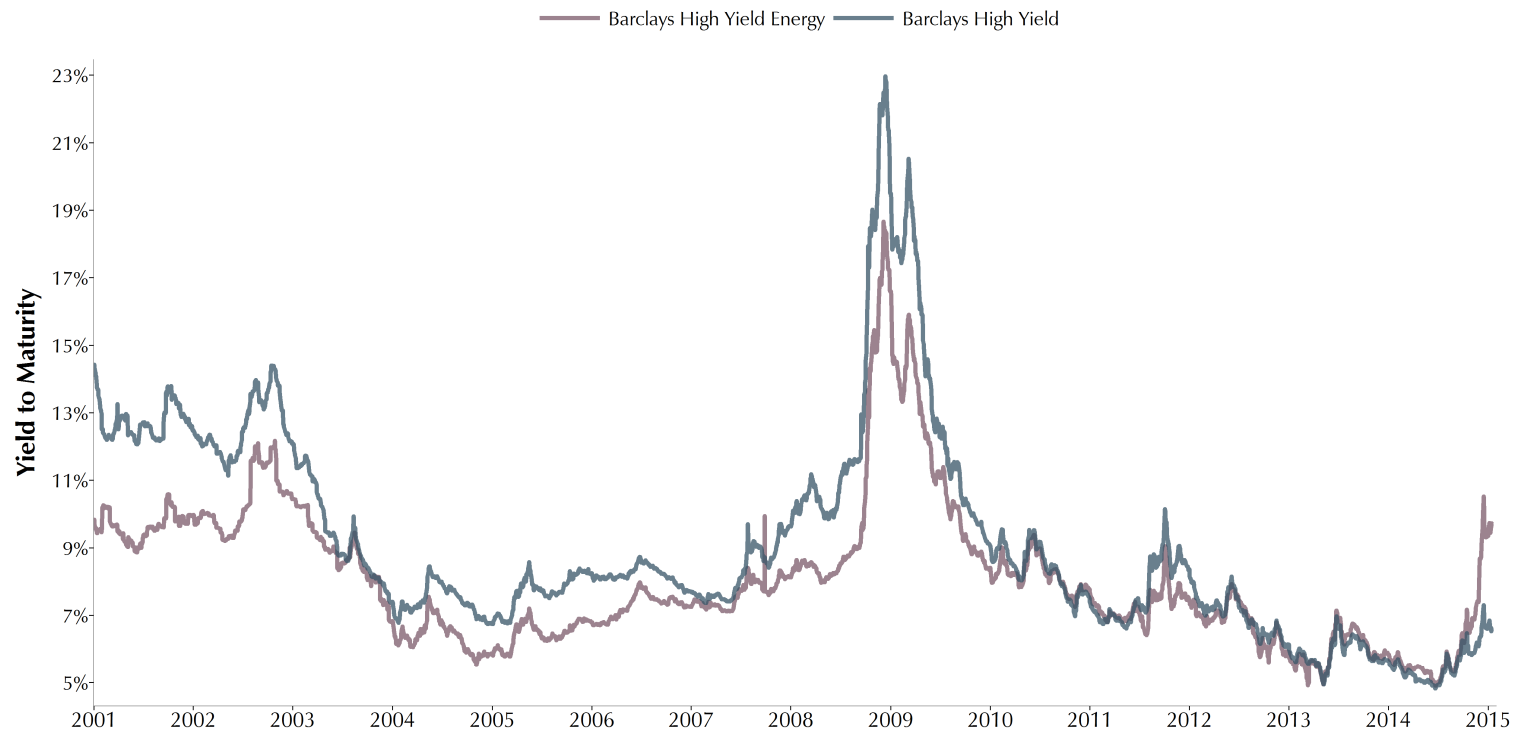




- The magnitude of the fall in commodities prices and especially oil has generated interest in the possibility of a rebound.
- One indicator of future commodities price performance is the slope of the futures curve. The strong contango in the current curve indicates that the market believes poor performance is more likely to continue in the upcoming quarter.

<sup>1</sup> Source: S&P GSCI and commodities futures via Bloomberg. Data is as of December 31, 2014.

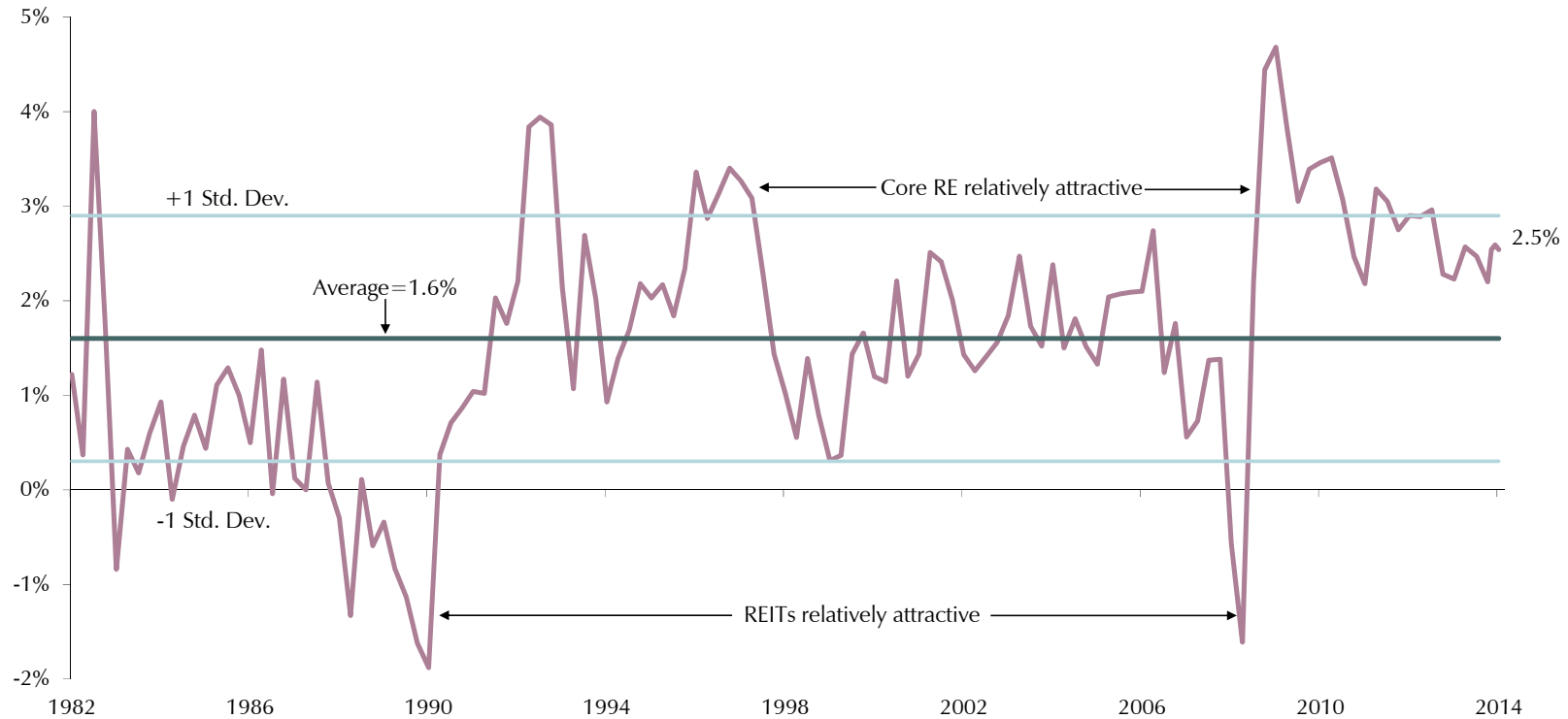
### U.S. High Yield Sectors<sup>1</sup>



- The oil price decline has been a major contributing factor for the recent widening of spreads within U.S. High Yield.
- The energy sector represents roughly 15% of the index and as illustrated above, most of widening of spreads has come from the energy sector.

<sup>1</sup> Source: Barclays and Thompson Reuters. Data is as of January 19, 2015.

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

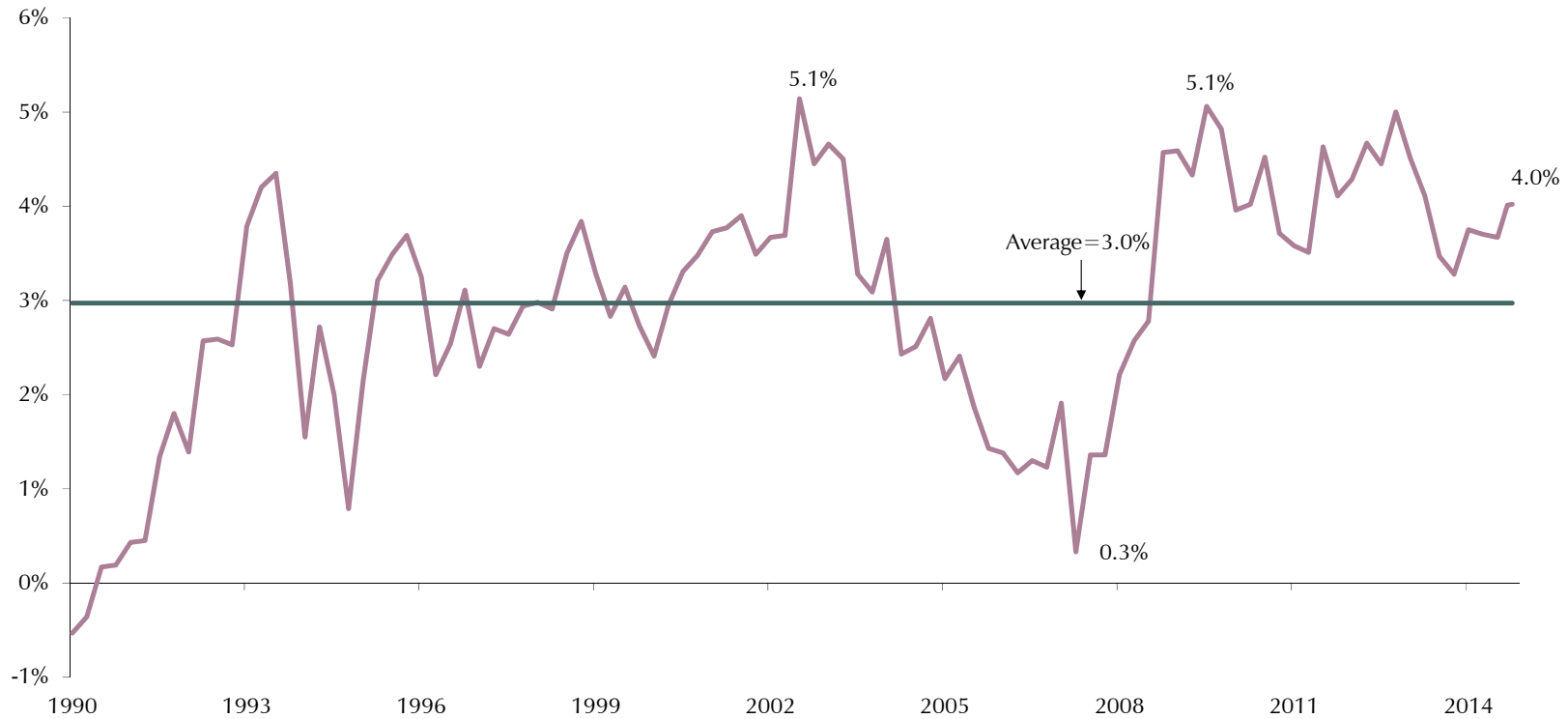


- At the end of December, the spread between core real estate cap rates and REIT yields was 2.5%.
- REITs were yielding 3.7%, well below the 10.1% level of early 2009.

<sup>1</sup> Sources: Thomson Reuters and NCREIF. Core Real Estate is proxied by the transaction-based cap rate for the NCREIF NPI index and REITs are proxied by the yield for the NAREIT Equity index. NPI transactional capitalization rates are calculated on a quarterly basis and lagged in their release. Data is as of September 30, 2014, for the NCREIF NPI and December 31, 2014, for the NAREIT Equity index.



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

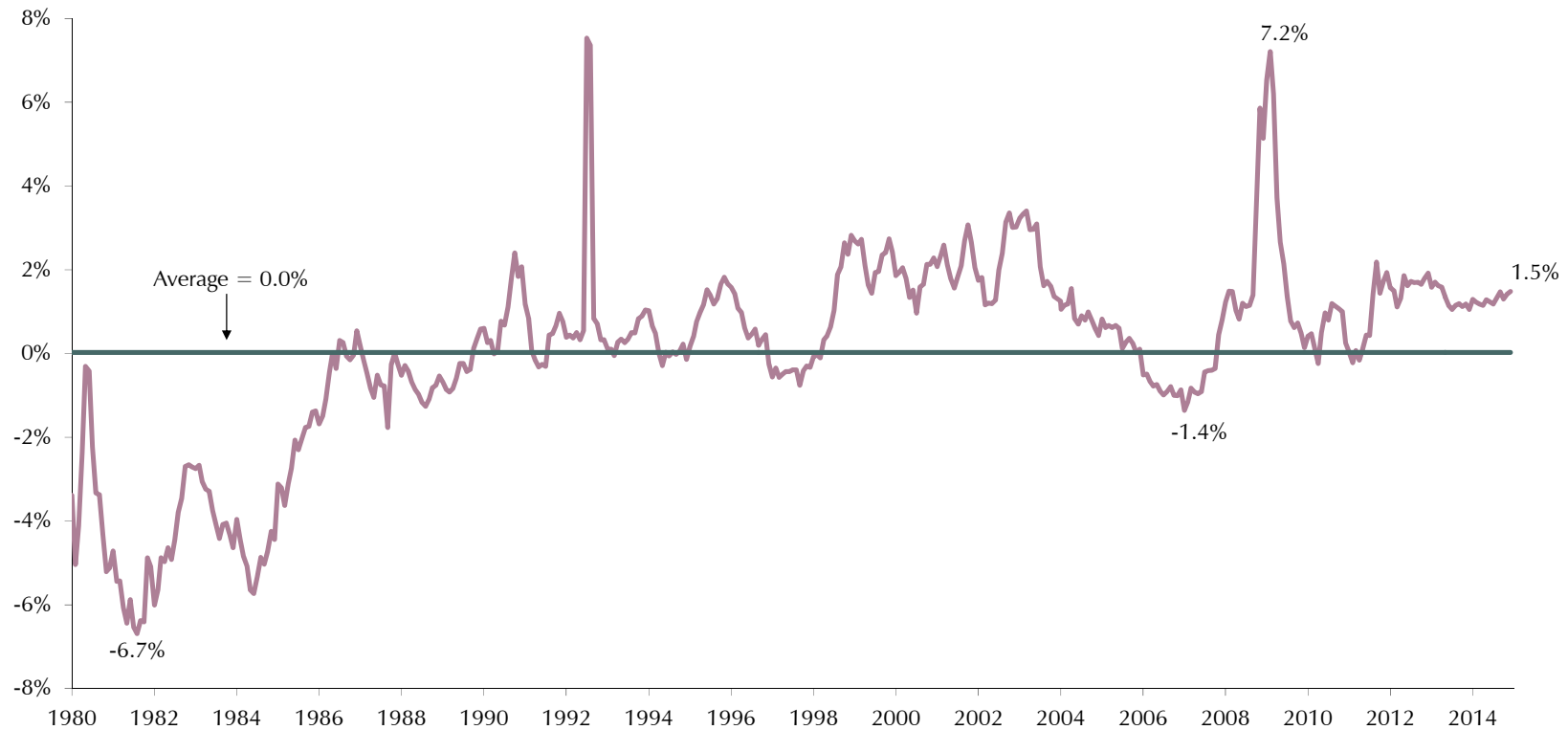


- At 4.0%, the difference between the 6.2% cap rate for core real estate and the 2.2% yield for the ten-year Treasury remains elevated.
- Still, the absolute level of core real estate cap rates is near a historical low.

<sup>1</sup> Source: NCREIF, U.S. Treasury. NPI transactional capitalization rates are calculated on a quarterly basis. The December 31, 2014 NCREIF NPI data is not yet available. Data is as of September 30, 2014, for the NCREIF NPI and December 31, 2014, for the ten-year Treasury.



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

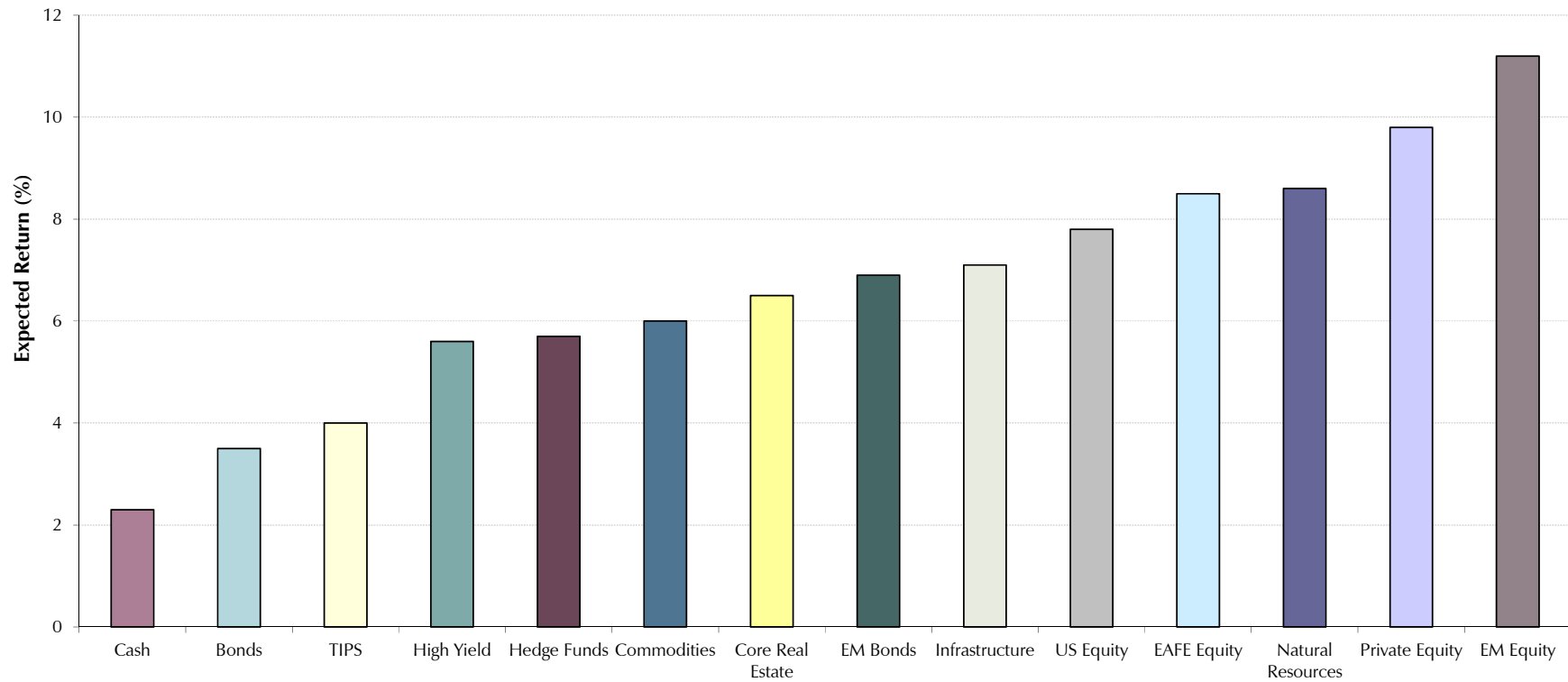


- REIT yield spreads were 1.5% at the end of November. This spread gradually increased during 2014 despite strong REIT performance.
- As with core real estate, the absolute level of REIT dividend yields is near a historical low.

<sup>1</sup> Source: NAREIT, U.S. Treasury. REITs are proxied by the yield for the NAREIT Equity index. Data is as of December 31, 2014.



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



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

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



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

		Changes In Rates (bps)				
		-100	-50	0	50	100
Inflation Rate Scenarios	4.0%	-3.75%	-3.07%	-2.62%	-2.41%	-2.43%
	3.0%	-2.75%	-2.07%	-1.62%	-1.41%	-1.43%
	2.0%	-1.75%	-1.07%	-0.62%	-0.41%	-0.43%
	1.0%	-0.75%	-0.07%	0.38%	0.59%	0.57%
	0.0%	0.25%	0.93%	1.38%	1.59%	1.57%

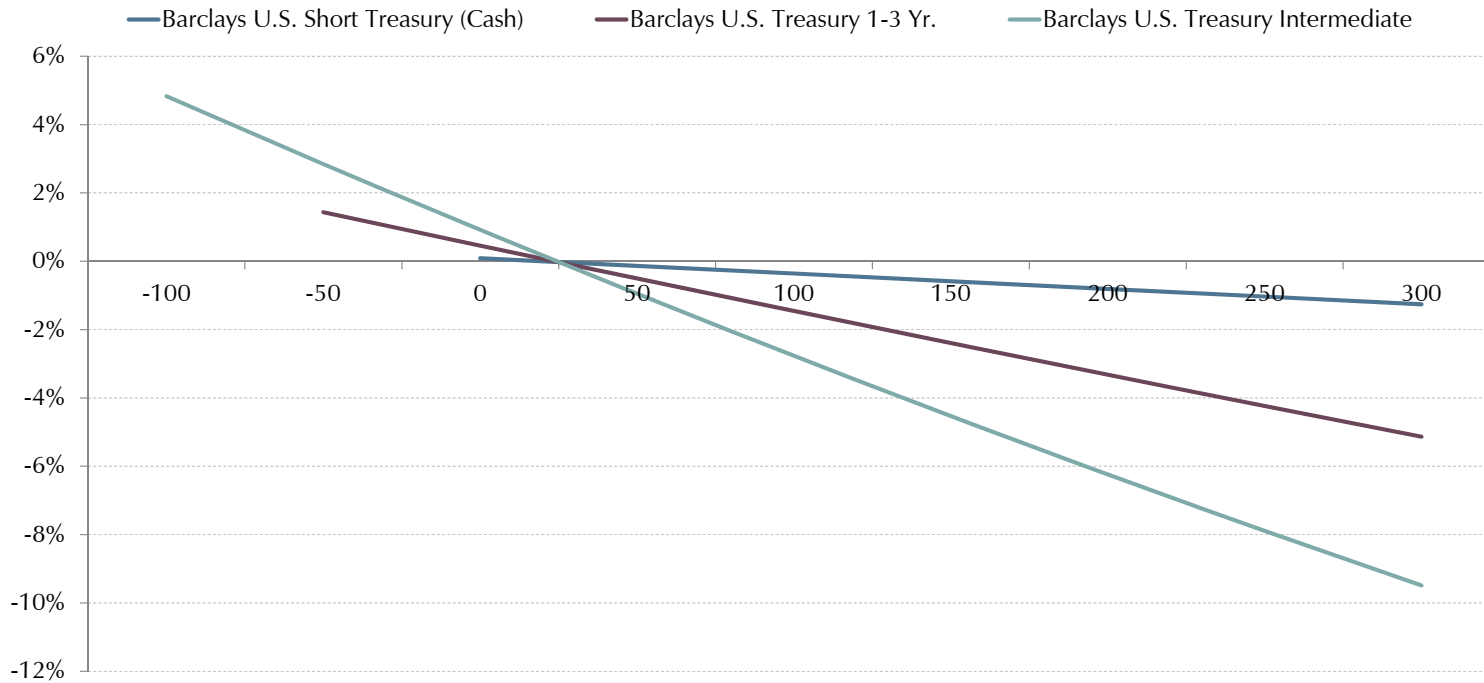
**Total Return Scenario: 100 bps Rate Increase and 2% Inflation**

Total Return Over Longer Holding Periods	1 Year	3 Year	5 Year	7 Year	10 Year
Barclays U.S. Aggregate	-3.59%	0.64%	1.51%	1.89%	2.17%
Barclays U.S. Treasury U.S. TIPS	-3.16%	1.11%	1.99%	2.37%	2.65%

<sup>1</sup> Data is as of December 31, 2014 via Barclays, Bloomberg, and Thomson Reuters. Scenario assumes that the rate increase happens over one year.



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



	Total Return for Given Changes in Interest Rates (bps)									Statistics	
	-100	-50	0	50	100	150	200	250	300	Duration	YTW
Barclays U.S. Short Treasury (Cash)			0.1%	-0.1%	-0.4%	-0.6%	-0.8%	-1.0%	-1.3%	0.45	0.09%
Barclays U.S. Treasury 1-3 Yr.			0.5%	-0.5%	-1.5%	-2.4%	-3.3%	-4.2%	-5.1%	1.94	0.46%
Barclays U.S. Treasury Intermediate	4.8%	2.8%	0.9%	-1.0%	-2.8%	-4.5%	-6.2%	-7.9%	-9.5%	3.8	0.92%
Barclays U.S. Treasury Long	21.9%	11.6%	2.3%	-6.0%	-13.2%	-19.4%	-24.6%	-28.8%	-31.9%	17.56	2.30%

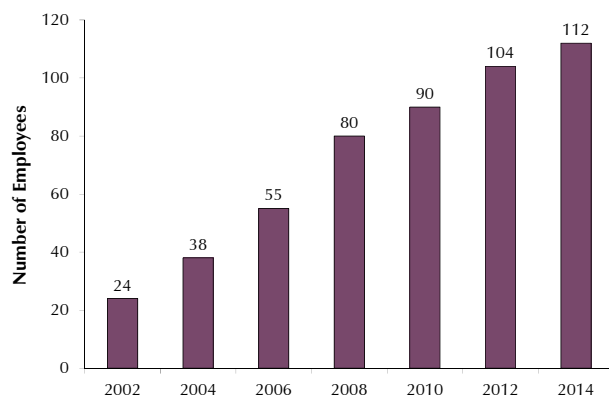
<sup>1</sup> Data represents the expected total return from a given change in interest rates (shown in basis points) over a 12-month period assuming a parallel shift in rates. Data is as of December 31, 2014 via Barclays and Thomson Reuters.



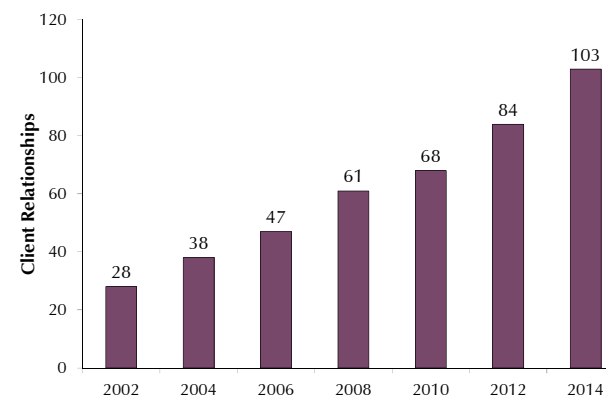
# **Meketa Investment Group Corporate Update**

- Staff of 112, including 66 investment professionals and 23 CFA Charterholders
- 103 clients, with over 185 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Miami, Portland (OR), San Diego, and London
- Clients have aggregate assets of over \$750 billion
  - Over \$20 billion in assets committed to alternative investments
    - Private Equity
    - Infrastructure
    - Natural Resources
    - Real Estate
    - Hedge Funds
    - Commodities

**Employee Growth**



**Client Growth**



**Meketa Investment Group is proud to work for 4.9 million American families everyday**



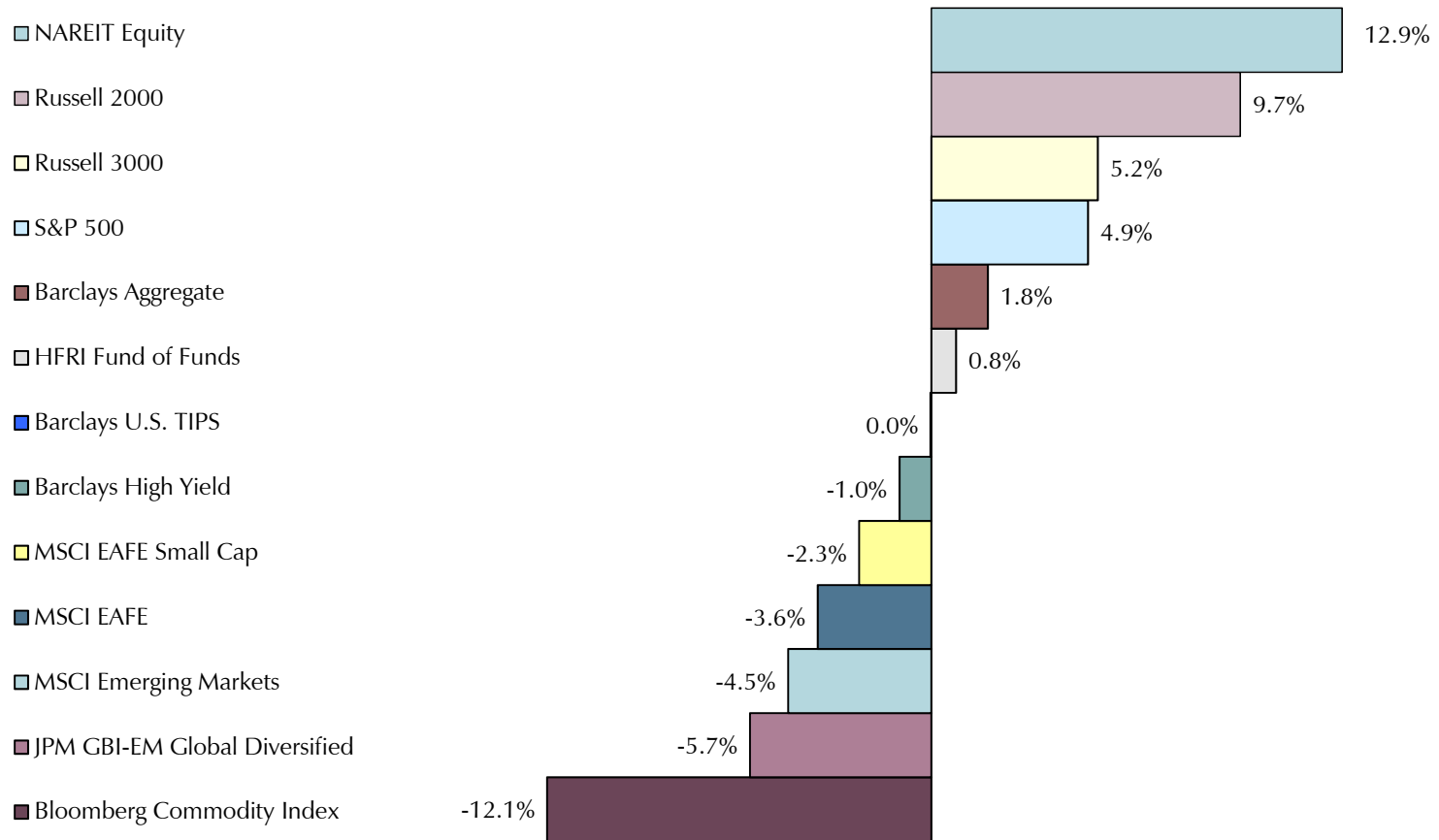
**Asset Classes Followed Intensively by Meketa Investment Group**

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

# Appendices

## The World Markets Fourth Quarter of 2014

The World Markets  
Fourth Quarter of 2014

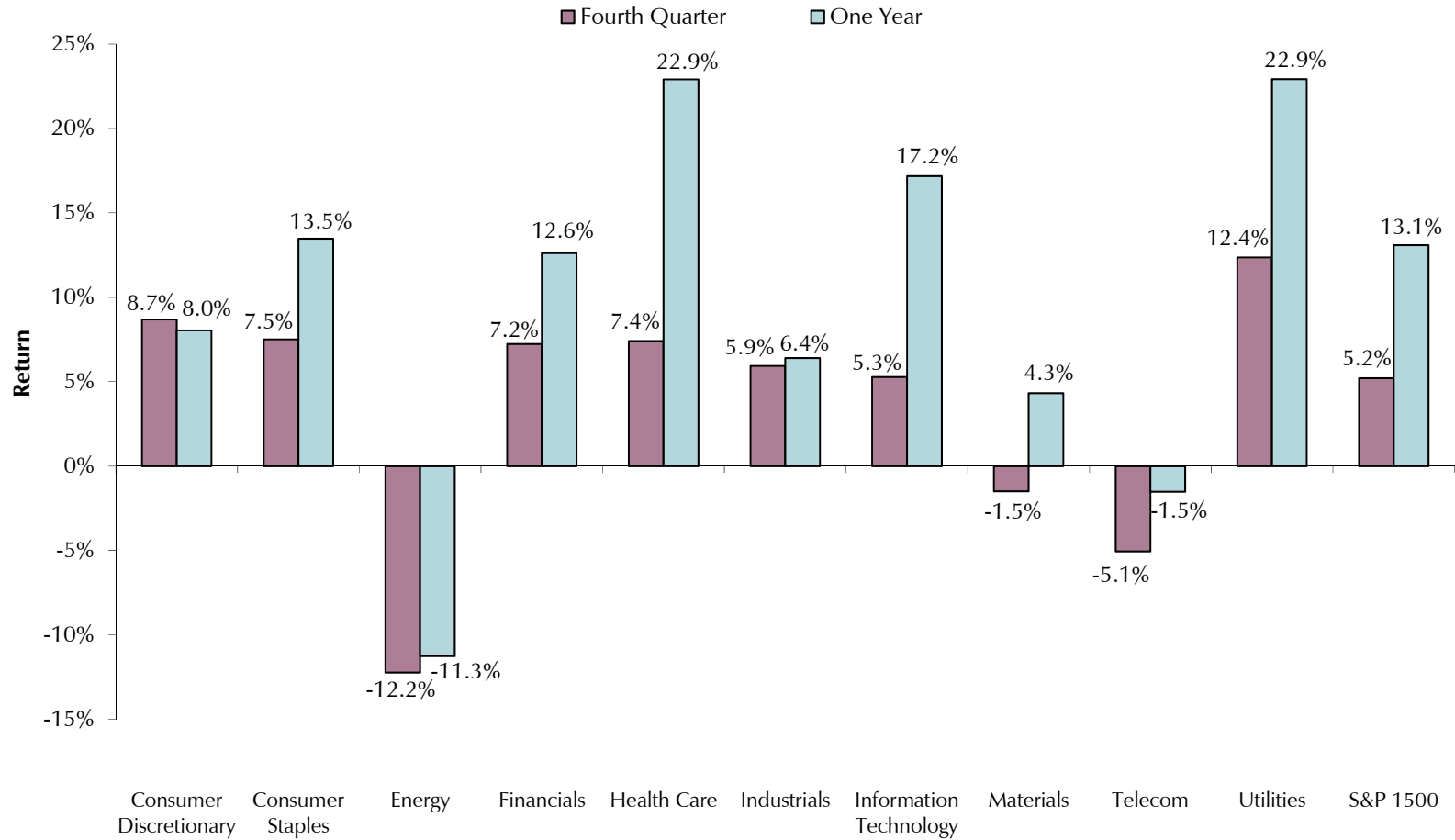




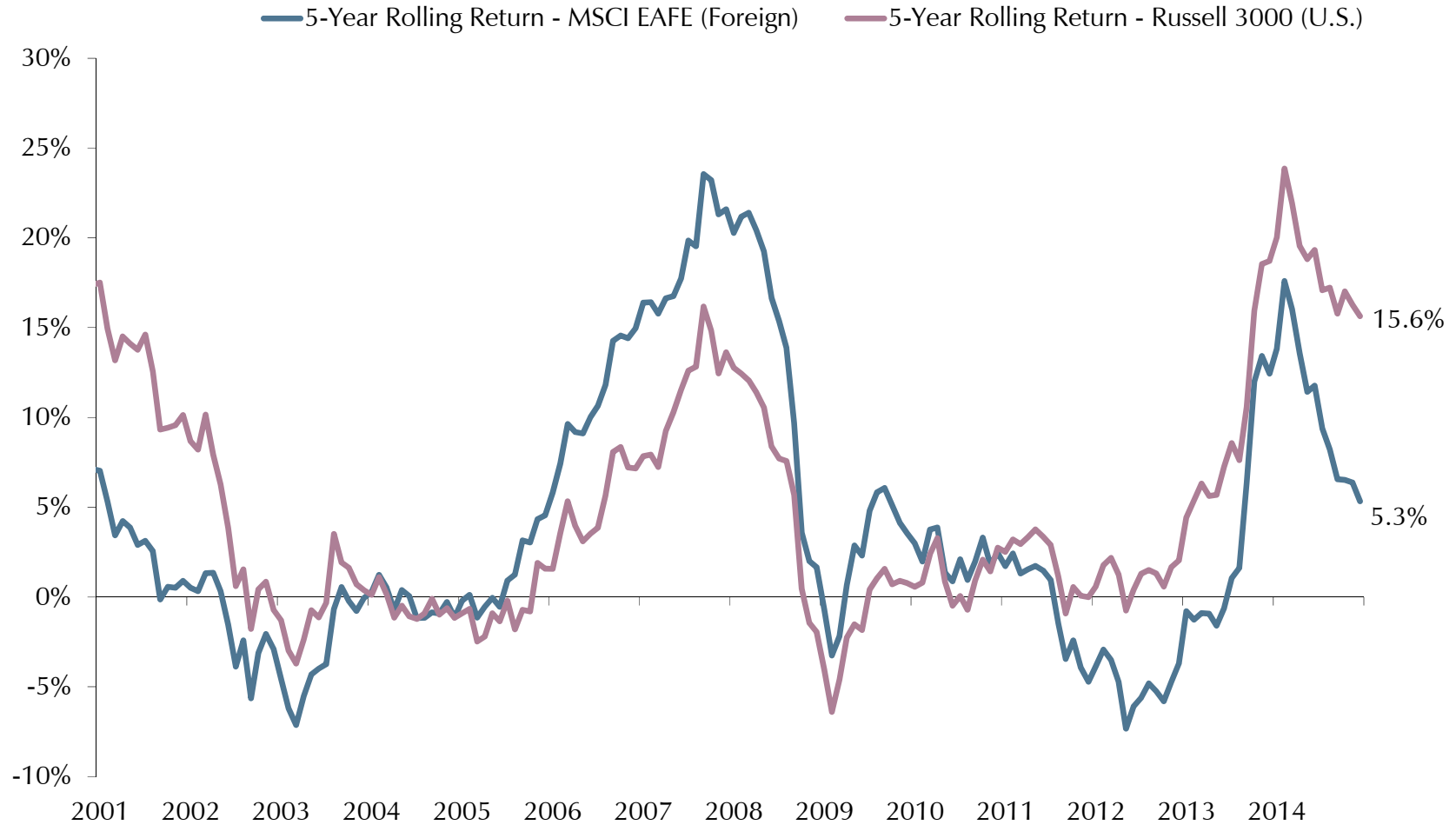
## Index Returns

	4Q14 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
Russell 3000	5.2	12.6	20.5	15.6	7.9
Russell 1000	4.9	13.2	20.6	15.6	8.0
Russell 1000 Growth	4.8	13.0	20.3	15.8	8.5
Russell 1000 Value	5.0	13.5	20.9	15.4	7.3
Russell MidCap	5.9	13.2	21.4	17.2	9.6
Russell MidCap Growth	5.8	11.9	20.7	16.9	9.4
Russell MidCap Value	6.1	14.7	22.0	17.4	9.4
Russell 2000	9.7	4.9	19.2	15.5	7.8
Russell 2000 Growth	10.1	5.6	20.1	16.8	8.5
Russell 2000 Value	9.4	4.2	18.3	14.3	6.9
<b>Foreign Equity</b>					
MSCI ACWI (ex. U.S.)	-3.9	-3.9	9.0	4.4	5.1
MSCI EAFE	-3.6	-4.9	11.1	5.3	4.4
MSCI EAFE (local currency)	1.8	5.9	16.4	7.7	5.3
MSCI EAFE Small Cap	-2.3	-4.9	13.8	8.6	6.0
MSCI Emerging Markets	-4.5	-2.2	4.0	1.8	8.4
MSCI Emerging Markets (local currency)	0.0	5.2	8.4	4.8	9.9
<b>Fixed Income</b>					
Barclays Universal	1.3	5.5	3.2	4.8	4.9
Barclays Aggregate	1.8	6.0	2.7	4.4	4.7
Barclays U.S. TIPS	0.0	3.6	0.4	4.1	4.4
Barclays High Yield	-1.0	2.5	8.4	9.0	7.7
JPMorgan GBI-EM Global Diversified	-5.7	-5.7	0.1	2.6	6.7
<b>Other</b>					
NAREIT Equity	12.9	28.0	16.4	16.9	8.3
Bloomberg Commodity Index	-12.1	-17.0	-9.5	-5.6	-1.9
HFRI Fund of Funds	0.8	3.2	5.6	3.3	3.0

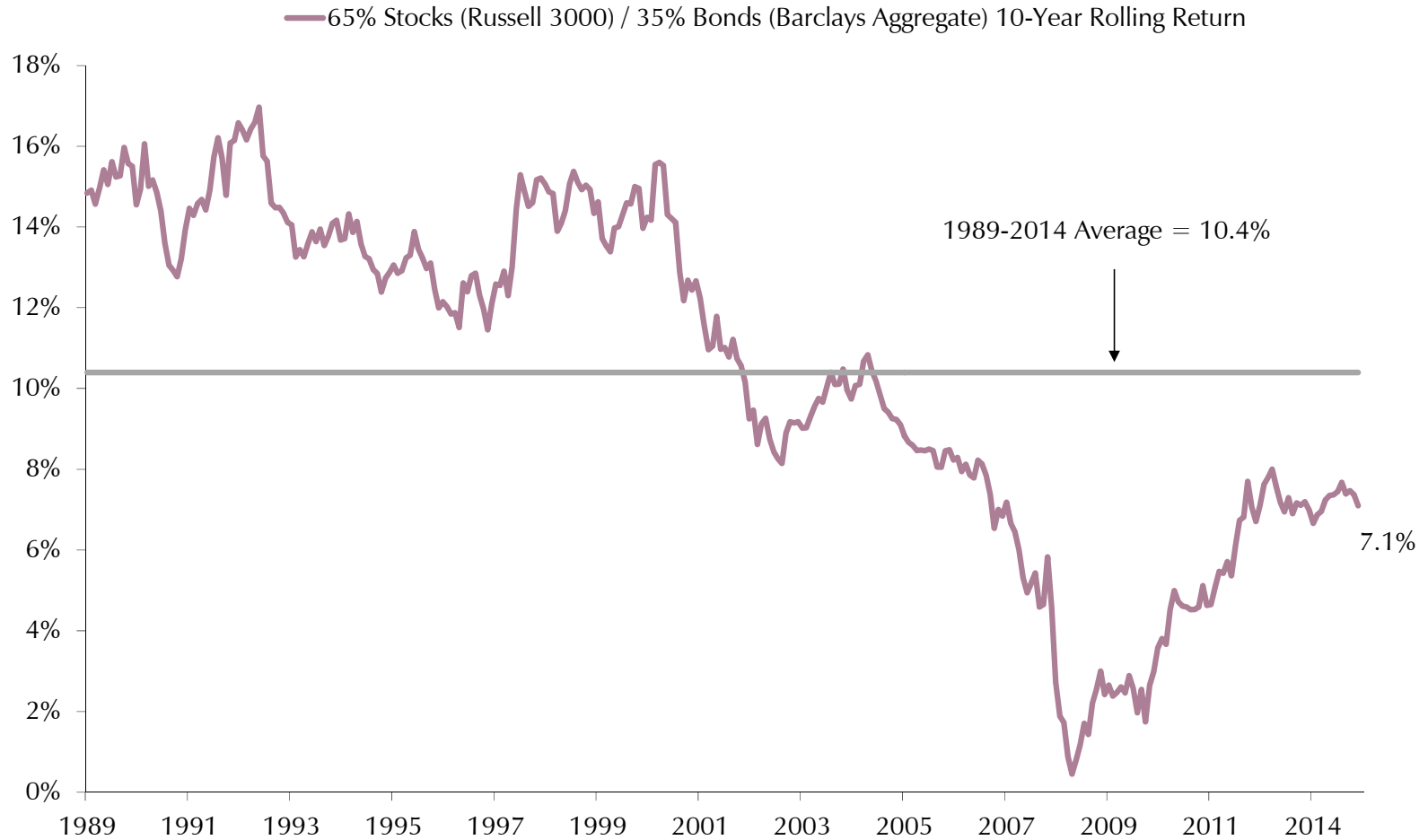
S&P Sector Returns



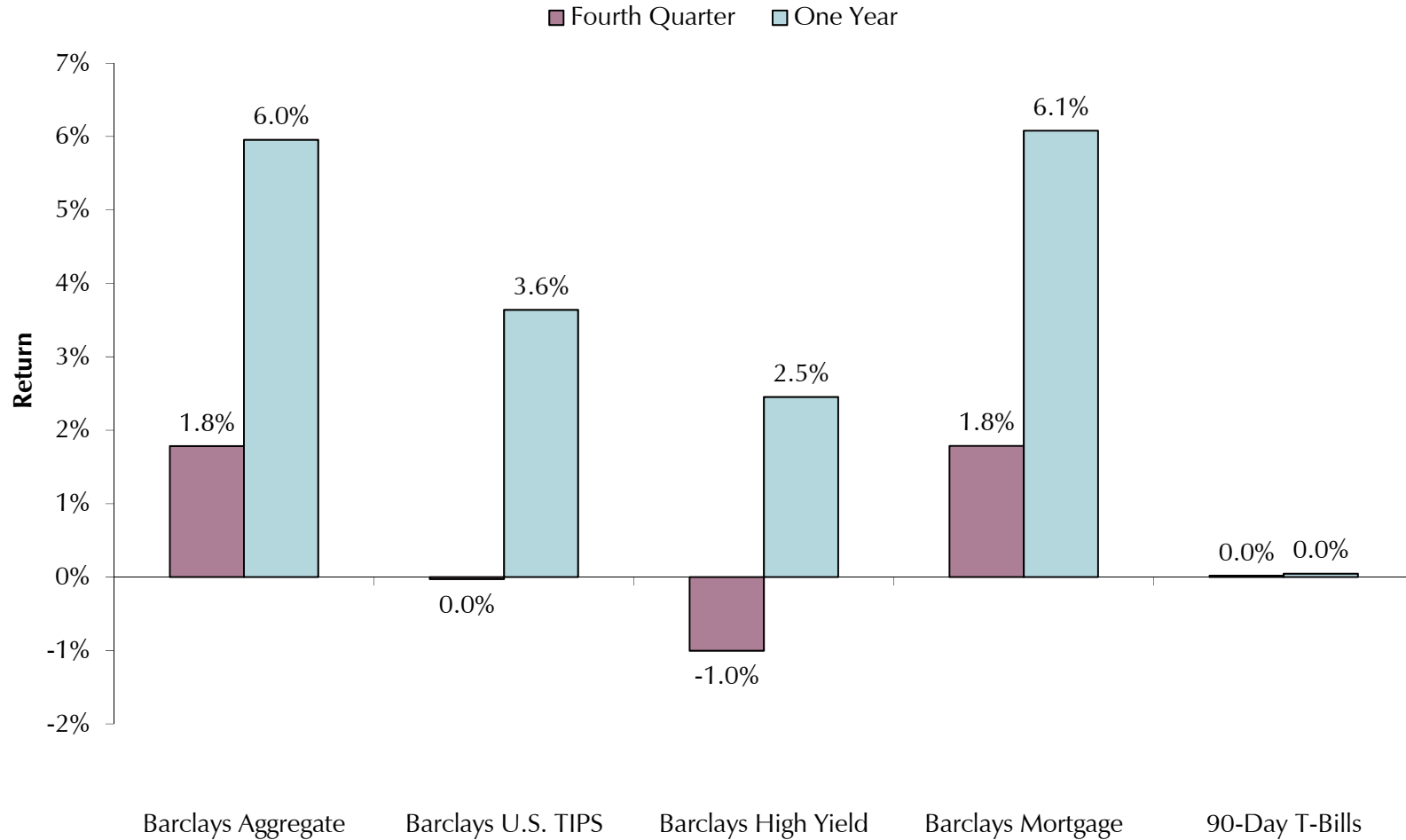
Equity Markets



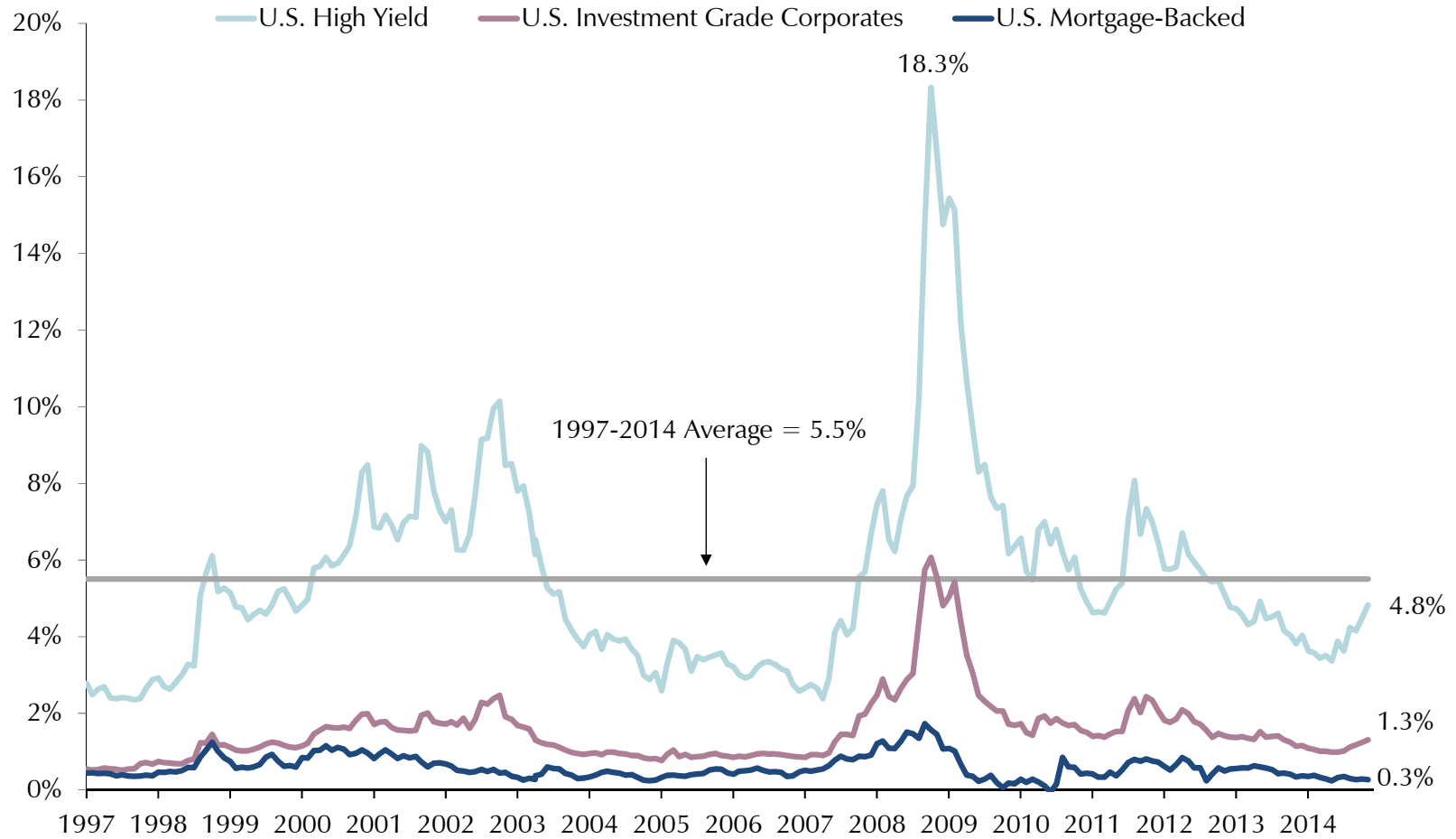
**Rolling Ten-Year Returns: 65% Stocks and 35% Bonds**



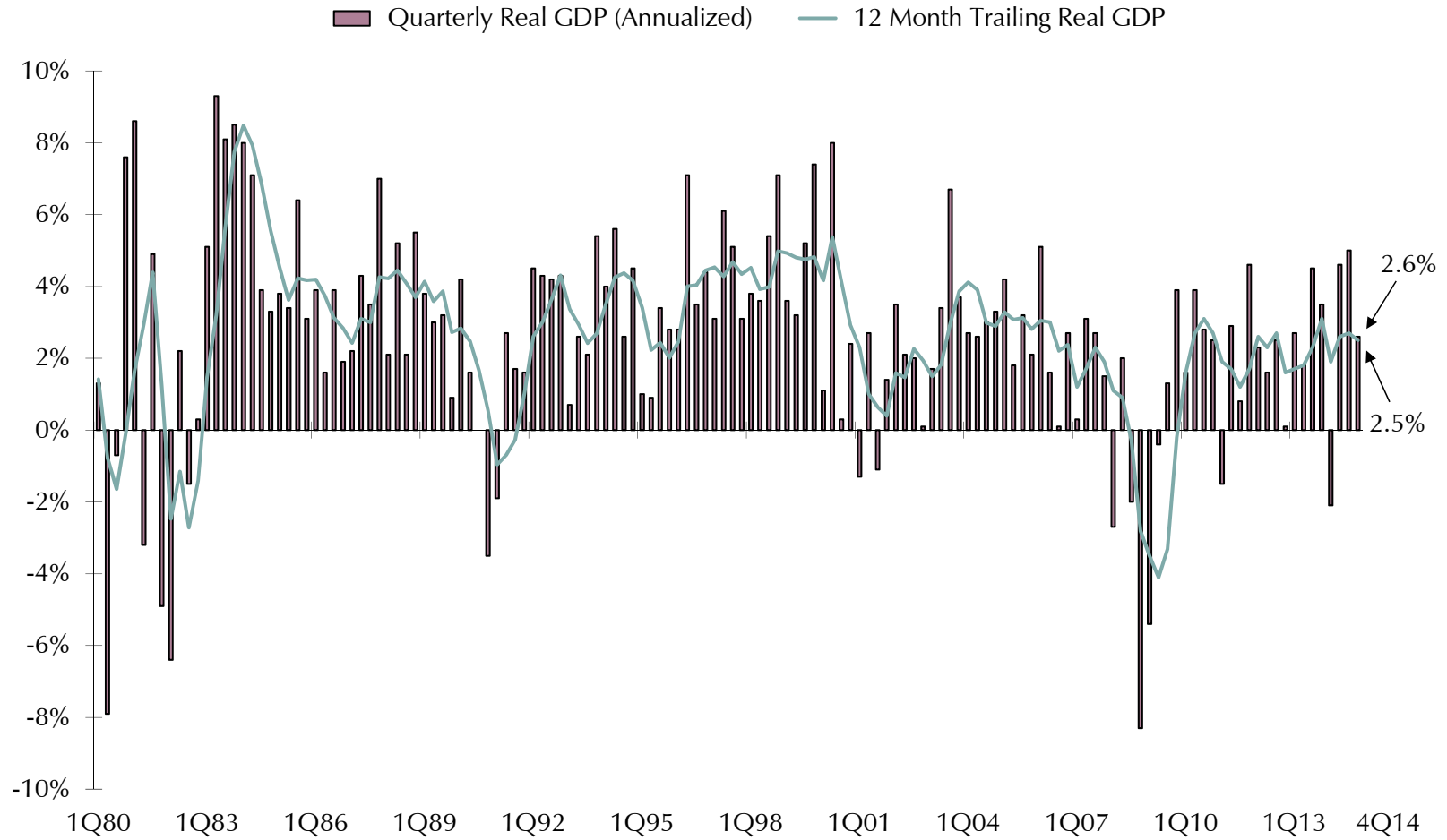
U.S. Fixed Income Markets



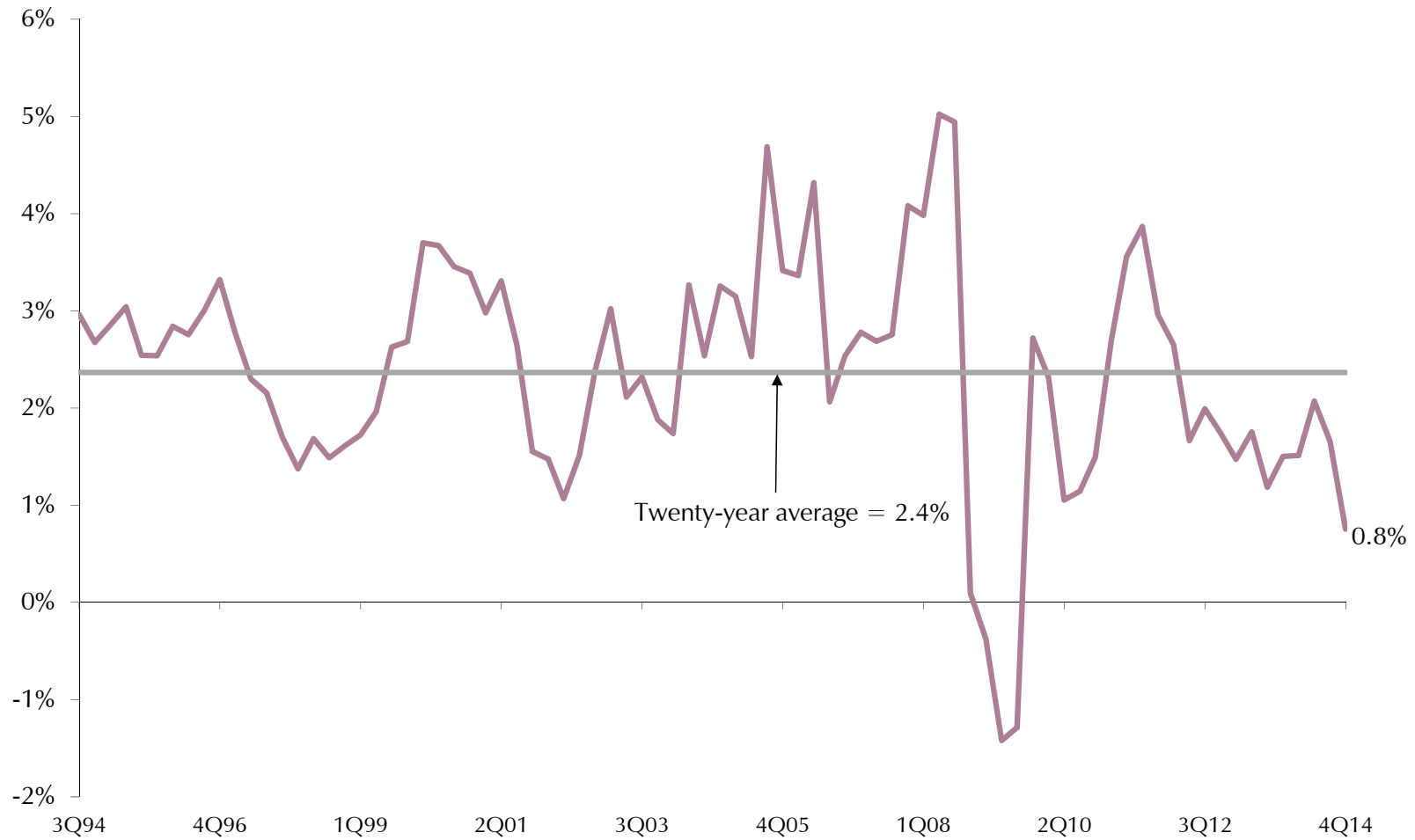
Credit Spreads vs. U.S. Treasury Bonds



### U.S. Real Gross Domestic Product (GDP) Growth



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

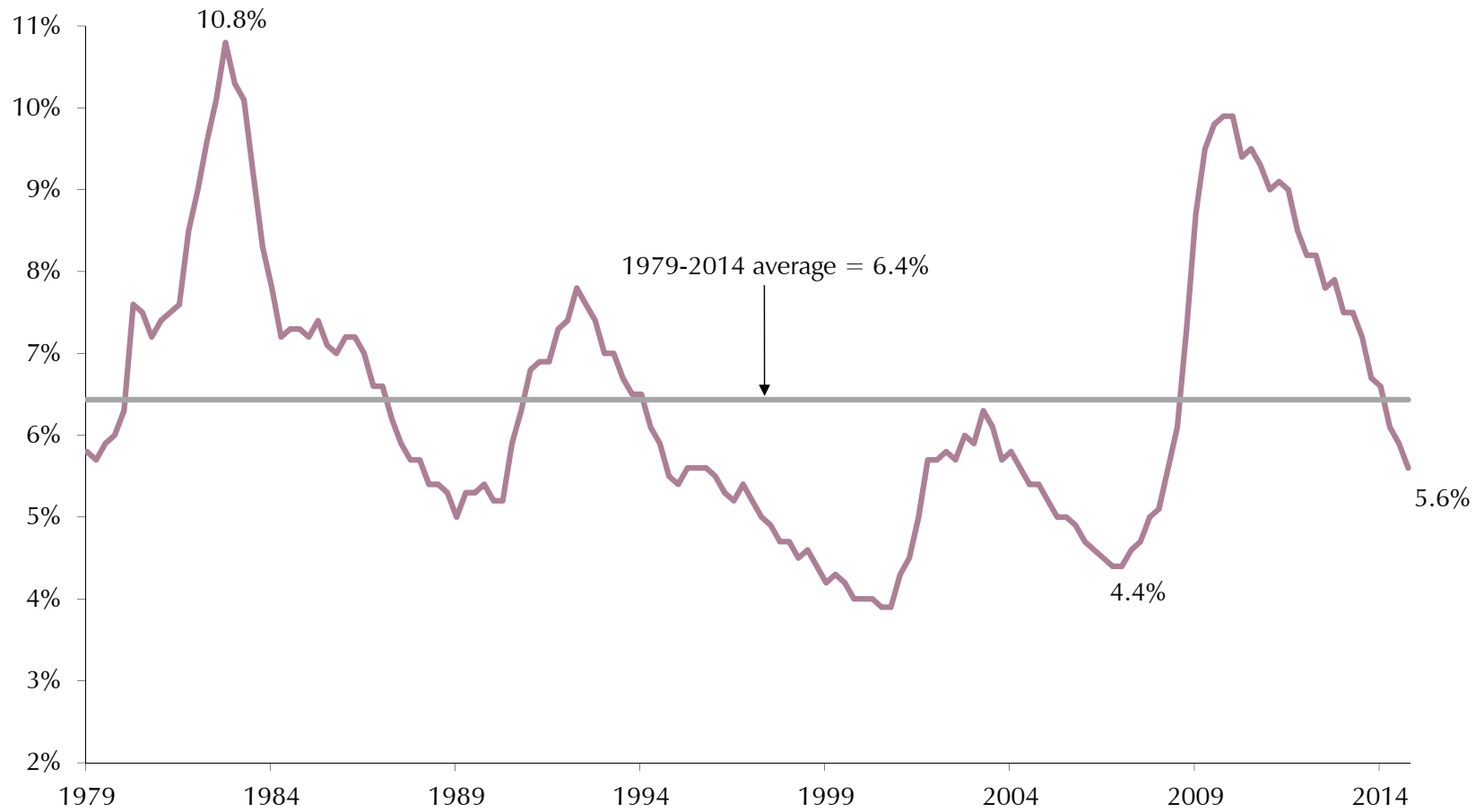


<sup>1</sup> Data is non-seasonally adjusted CPI, which may be volatile in the short-term.





### U.S. Unemployment



**Glossary and Notes**  
**As of December 31, 2014**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Russell Indices ®, TM, SM are trademarks/service marks of the Frank Russell Company.

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

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

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