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## **City of San Jose Police and Fire Department Retirement Plan – Health Care Trust**

### **Investment Performance Analysis For the period ending March 31, 2015**

June 4, 2015

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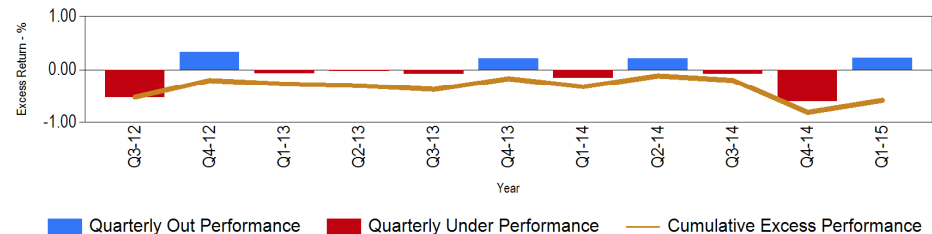
**BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO**

# City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

## Total Fund Performance Summary – (Gross of Fees)

	Market Value (\$)	% of Portfolio	Ending March 31, 2015												Inception			
			3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Health Care Trust</b>	<b>56,162,752</b>	<b>100.0</b>	<b>1.9</b>	<b>29</b>	<b>-0.5</b>	<b>94</b>	<b>3.6</b>	<b>63</b>	<b>5.7</b>	<b>35</b>	--	--	--	--	--	--	<b>6.8</b>	<b>Jul-12</b>
<i>Policy Benchmark</i>			1.6	47	-0.2	92	3.7	61	5.7	35	--	--	--	--	--	--	6.9	Jul-12
<i>Allocation Index</i>			1.8	35	0.7	79	4.7	41	6.4	31	--	--	--	--	--	--	7.3	Jul-12
<i>InvestorForce Health &amp; Welfare - Gross Median</i>			1.5		2.1		4.2		4.4		4.9		5.3		4.8		5.4	Jul-12

Quarterly and Cumulative Excess Performance



Since the inception of the Health Care Trust, the Fund has returned 6.8%, trailing the policy benchmark by 0.1% and ranking in the 33rd percentile of the InvestorForce Health & Welfare Funds Universe.

For the one-year period ending March 31, 2015, the Health Care Trust produced a net investment gain of \$1.1 million, which includes a net investment gain of \$0.9 million in the first calendar quarter. Assets increased from \$36.1 million one year ago to \$56.2 million on March 31, 2014, with \$18.9 million in net contributions during the year.

For the one-year period ending March 31, 2015, the Fund returned 3.6%, trailing the policy benchmark by 0.1% and ranking in the 63rd percentile of its peers. The Fund's volatility ranks in the bottom quartile of its peers, resulting in a Sharpe Ratio that also ranks in the bottom quartile of its peers.

Please see the appendix for additional performance disclosures. Performance is reported gross of fees.

Composition of Policy Benchmark can be found on page 17.

Since Inception Ending March 31, 2015

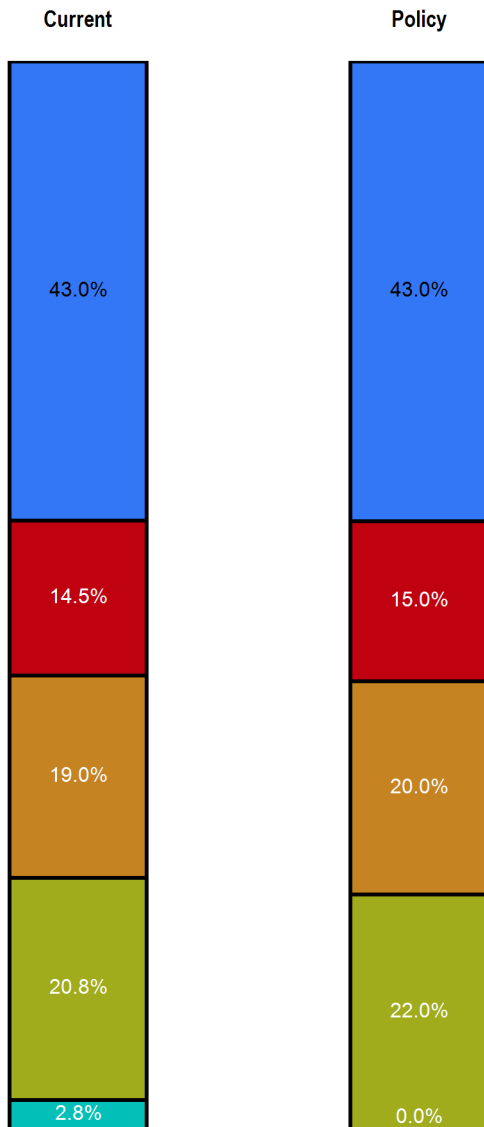
	Anlzd Return	Rank	Anlzd Standard Deviation	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Health Care Trust	6.8%	33	5.5%	84	1.2	82	2.2	71
Policy Benchmark	6.9%	33	5.4%	83	1.3	79	2.3	71
Allocation Index	7.3%	30	5.1%	77	1.4	75	2.6	66
InvestorForce Health & Welfare - Gross Median	5.4%	--	2.8%	--	1.9	--	3.3	--

1 Year Ending March 31, 2015

	Anlzd Return	Rank	Anlzd Standard Deviation	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Health Care Trust	3.6%	63	5.6%	91	0.6	93	1.0	91
Policy Benchmark	3.7%	61	5.7%	92	0.6	93	1.0	91
Allocation Index	4.7%	41	4.7%	76	1.0	78	1.5	85
InvestorForce Health & Welfare - Gross Median	4.2%	--	2.7%	--	1.7	--	3.8	--

Note: The InvestorForce Health & Welfare Funds Universe had 171 observations totaling \$11.1 billion in assets as of 3/31/2015.

**Total Fund Asset Allocation vs Policy Targets**

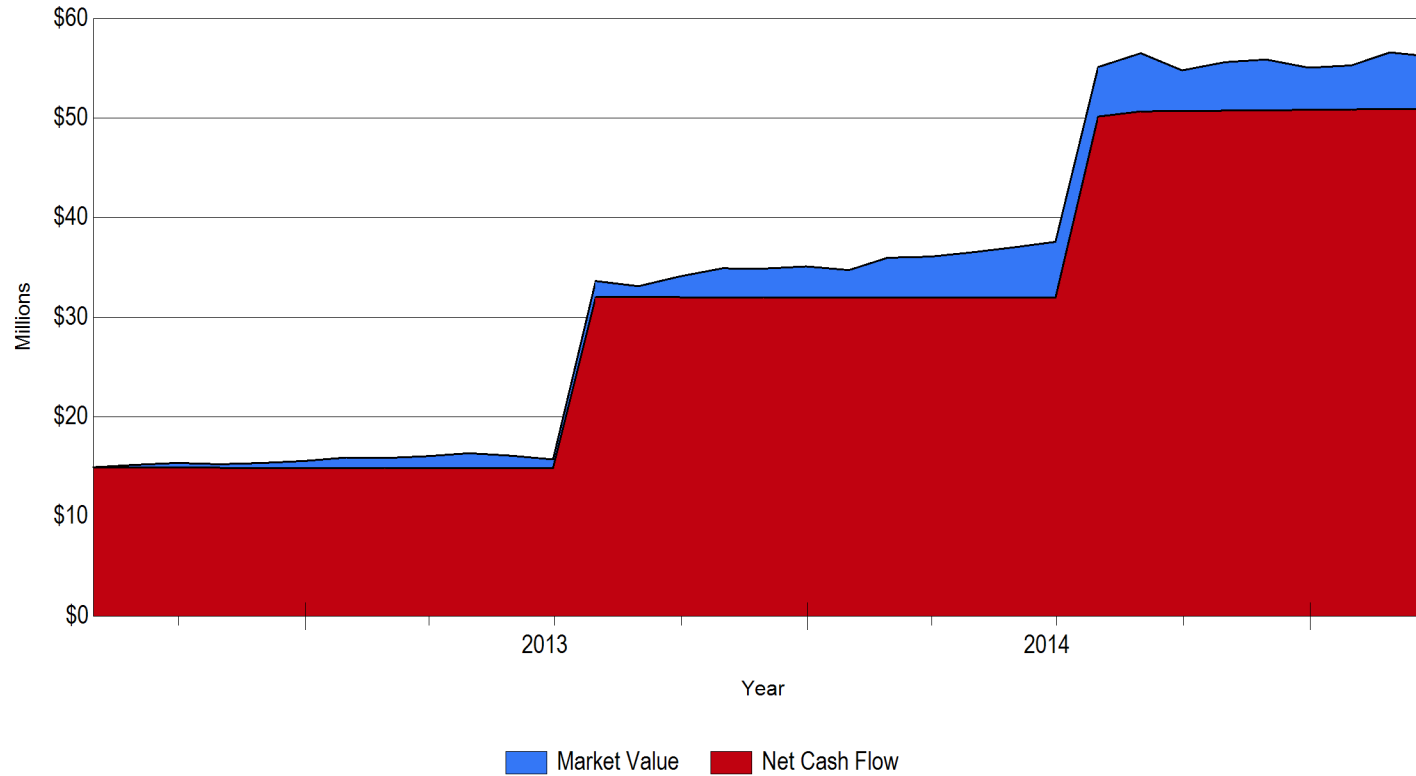


Asset Allocation vs. Target							
	Current Balance	Current Allocation	Policy	Difference *	Policy Range	Within IPS Range?	
Equities	\$24,132,512	43.0%	43.0%	0.0%	25.0% - 50.0%	Yes	
Fixed Income	\$8,135,479	14.5%	15.0%	-0.5%	5.0% - 25.0%	Yes	
Global Asset Allocation	\$10,647,668	19.0%	20.0%	-1.0%	0.0% - 25.0%	Yes	
Inflation-Linked	\$11,694,635	20.8%	22.0%	-1.2%	12.0% - 25.0%	Yes	
Cash	\$1,552,459	2.8%	0.0%	2.8%	0.0% - 5.0%	Yes	
<b>Total</b>	<b>\$56,162,752</b>	<b>100.0%</b>	<b>100.0%</b>				

\*Difference between Policy and Current Allocation

Health Care Trust Asset Growth Summary

Since Inception Ending Mar 31, 2015



Sources of Portfolio Growth	Last Three Months	Fiscal Year-To-Date	One Year	Inception 7/1/12
Beginning Market Value	\$55,066,805	\$37,582,148	\$36,093,980	\$0
Net Additions/Withdrawals	\$100,922	\$18,988,246	\$18,973,064	\$50,938,802
Investment Earnings	\$995,025	-\$407,642	\$1,095,708	\$5,223,950
<b>Ending Market Value</b>	<b>\$56,162,752</b>	<b>\$56,162,752</b>	<b>\$56,162,752</b>	<b>\$56,162,752</b>

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Asset Growth Summary Detail

**Cash Flow Summary**  
**3 Months Ending Mar 31, 2015**

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$2,968,738	-\$3,664,934	\$2,248,655	-\$1,416,279	\$0	\$1,552,459
Credit Suisse	\$4,182,309	-\$3,871	\$0	-\$3,871	-\$211,529	\$3,966,909
GMO	\$3,549,566	-\$7,702	\$0	-\$7,702	\$58,196	\$3,600,060
PIMCO	\$3,349,672	-\$5,314	\$0	-\$5,314	-\$5,477	\$3,338,881
Standard Life	\$0	\$0	\$3,650,000	\$3,650,000	\$58,727	\$3,708,727
Vanguard REIT Index Fund	\$6,126,031	-\$1,605	\$0	-\$1,605	\$290,972	\$6,415,398
Vanguard Total Bond Market Index Fund	\$10,076,507	-\$2,101,549	\$0	-\$2,101,549	\$160,520	\$8,135,479
Vanguard Total World Stock Index Fund	\$23,464,486	-\$9,564	\$0	-\$9,564	\$677,590	\$24,132,512
Wellington	\$1,349,496	-\$3,194	\$0	-\$3,194	-\$33,974	\$1,312,327
<b>Total</b>	<b>\$55,066,805</b>	<b>-\$5,797,733</b>	<b>\$5,898,655</b>	<b>\$100,922</b>	<b>\$995,025</b>	<b>\$56,162,752</b>

**Cash Flow Summary**  
**Fiscal YTD Ending Mar 31, 2015**

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$46,022	-\$21,794,934	\$23,301,370	\$1,506,436	\$1	\$1,552,459
Credit Suisse	\$3,321,368	-\$13,033	\$1,770,000	\$1,756,967	-\$1,111,426	\$3,966,909
GMO	--	-\$21,582	\$3,650,000	\$3,628,418	-\$28,358	\$3,600,060
PIMCO	--	-\$16,166	\$3,650,000	\$3,633,834	-\$294,953	\$3,338,881
Standard Life	--	\$0	\$3,650,000	\$3,650,000	\$58,727	\$3,708,727
Vanguard REIT Index Fund	\$3,741,073	-\$4,491	\$1,800,000	\$1,795,509	\$878,816	\$6,415,398
Vanguard Total Bond Market Index Fund	\$11,986,600	-\$4,205,182	\$0	-\$4,205,182	\$354,061	\$8,135,479
Vanguard Total World Stock Index Fund	\$17,400,141	-\$28,525	\$6,670,000	\$6,641,475	\$90,896	\$24,132,512
Wellington	\$1,086,944	-\$9,211	\$590,000	\$580,789	-\$355,406	\$1,312,327
<b>Total</b>	<b>\$37,582,148</b>	<b>-\$26,093,124</b>	<b>\$45,081,370</b>	<b>\$18,988,246</b>	<b>-\$407,642</b>	<b>\$56,162,752</b>

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Asset Growth Summary Detail

**Cash Flow Summary**  
1 Year Ending Mar 31, 2015

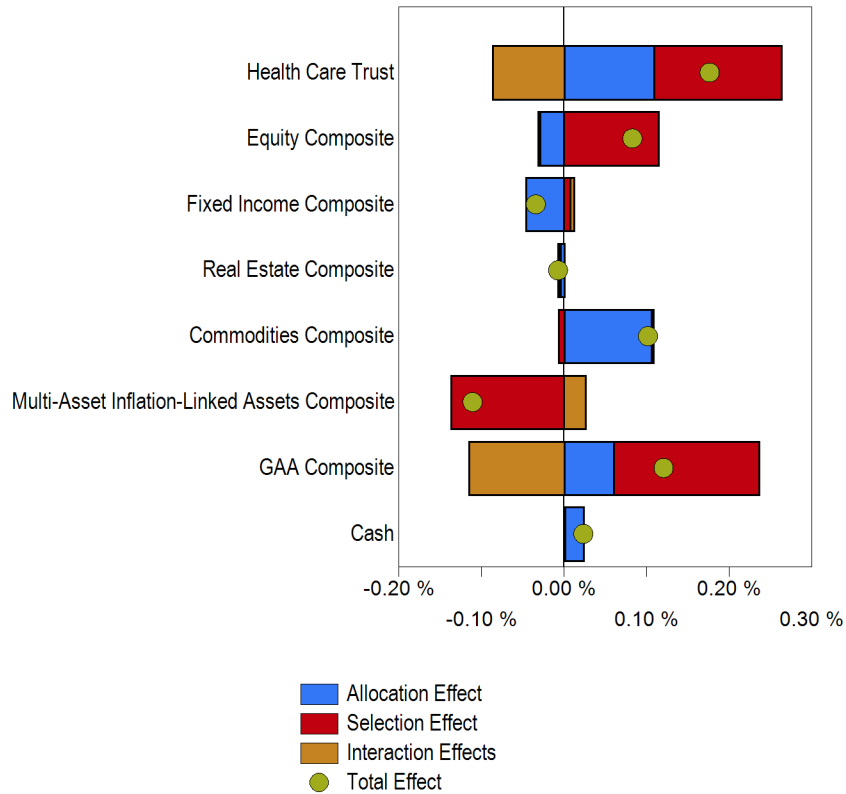
	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$46,022	-\$21,794,934	\$23,301,370	\$1,506,436	\$1	\$1,552,459
Credit Suisse	\$3,199,375	-\$16,144	\$1,770,000	\$1,753,856	-\$986,322	\$3,966,909
GMO	--	-\$21,582	\$3,650,000	\$3,628,418	-\$28,358	\$3,600,060
PIMCO	--	-\$16,166	\$3,650,000	\$3,633,834	-\$294,953	\$3,338,881
Standard Life	--	\$0	\$3,650,000	\$3,650,000	\$58,727	\$3,708,727
Vanguard REIT Index Fund	\$3,495,969	-\$5,412	\$1,800,000	\$1,794,588	\$1,124,841	\$6,415,398
Vanguard Total Bond Market Index Fund	\$11,754,476	-\$4,207,271	\$0	-\$4,207,271	\$588,273	\$8,135,479
Vanguard Total World Stock Index Fund	\$16,573,976	-\$35,344	\$6,670,000	\$6,634,656	\$923,880	\$24,132,512
Wellington	\$1,024,162	-\$11,453	\$590,000	\$578,547	-\$290,382	\$1,312,327
<b>Total</b>	<b>\$36,093,980</b>	<b>-\$26,108,306</b>	<b>\$45,081,370</b>	<b>\$18,973,064</b>	<b>\$1,095,708</b>	<b>\$56,162,752</b>

**Cash Flow Summary**  
Since Inception Ending Mar 31, 2015

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$0	-\$54,848,212	\$56,400,231	\$1,552,019	\$440	\$1,552,459
Credit Suisse	--	-\$528,147	\$5,300,000	\$4,771,853	-\$804,943	\$3,966,909
First Quadrant	--	-\$742,610	\$890,000	\$147,390	-\$147,390	--
GMO	--	-\$21,582	\$3,650,000	\$3,628,418	-\$28,358	\$3,600,060
PIMCO	--	-\$16,166	\$3,650,000	\$3,633,834	-\$294,953	\$3,338,881
Standard Life	--	\$0	\$3,650,000	\$3,650,000	\$58,727	\$3,708,727
Vanguard REIT Index Fund	--	-\$9,301	\$4,988,695	\$4,979,394	\$1,436,004	\$6,415,398
Vanguard Total Bond Market Index Fund	--	-\$4,216,714	\$11,610,434	\$7,393,720	\$741,759	\$8,135,479
Vanguard Total World Stock Index Fund	--	-\$67,762	\$19,671,390	\$19,603,628	\$4,528,884	\$24,132,512
Wellington	--	-\$11,453	\$1,590,000	\$1,578,547	-\$266,220	\$1,312,327
<b>Total</b>	<b>\$0</b>	<b>-\$60,461,948</b>	<b>\$111,400,750</b>	<b>\$50,938,802</b>	<b>\$5,223,950</b>	<b>\$56,162,752</b>

**Health Care Trust Attribution Analysis - Net of Fees**

**Attribution Effects**  
3 Months Ending March 31, 2015

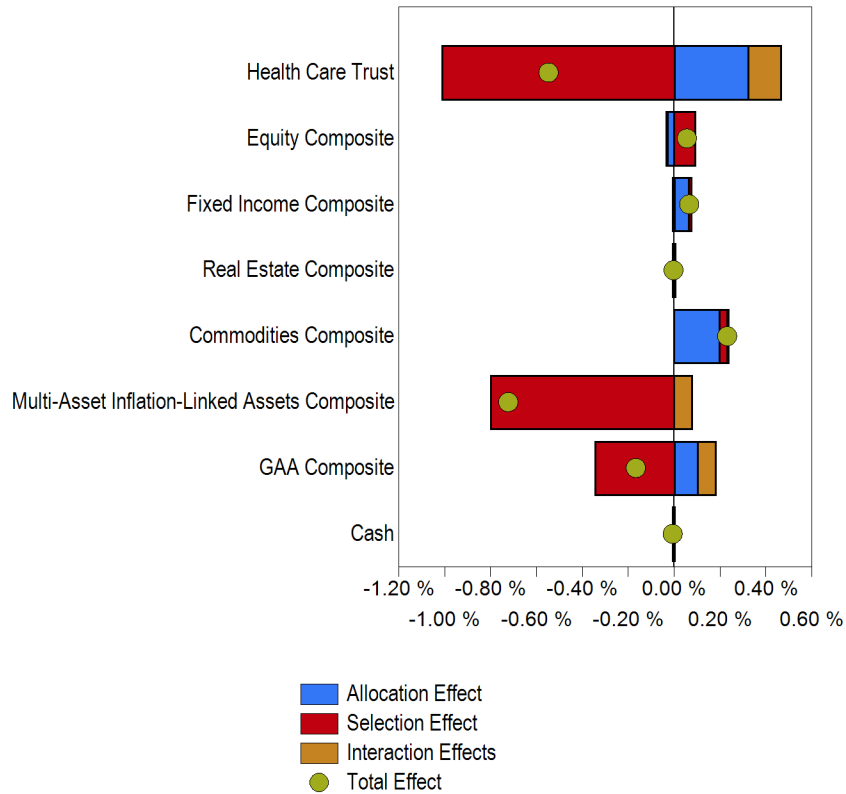


**Attribution Summary**  
3 Months Ending March 31, 2015

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Equity Composite	2.8%	2.6%	0.3%	0.1%	0.0%	0.0%	0.1%
Fixed Income Composite	1.6%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Real Estate Composite	4.7%	4.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Commodities Composite	-5.2%	-5.1%	-0.1%	0.0%	0.1%	0.0%	0.1%
Multi-Asset Inflation-Linked Assets Composite	-2.8%	1.8%	-4.5%	-0.1%	0.0%	0.0%	-0.1%
GAA Composite	1.3%	0.4%	0.9%	0.2%	0.1%	-0.1%	0.1%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>1.7%</b>	<b>1.6%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>-0.1%</b>	<b>0.2%</b>

Health Care Trust Attribution Analysis - Net of Fees

**Attribution Effects**  
Fiscal YTD Ending Mar 31, 2015



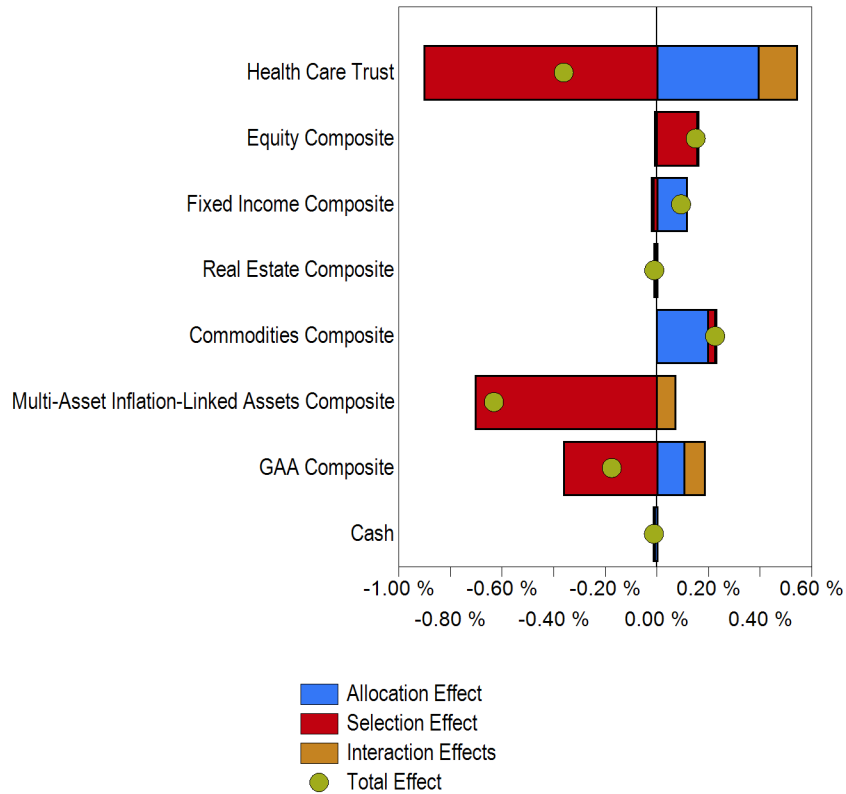
**Attribution Summary**  
Fiscal YTD Ending Mar 31, 2015

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Equity Composite	0.5%	0.3%	0.2%	0.1%	0.0%	0.0%	0.1%
Fixed Income Composite	3.6%	3.6%	0.0%	0.0%	0.1%	0.0%	0.1%
Real Estate Composite	16.0%	16.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
Commodities Composite	-22.0%	-22.3%	0.3%	0.0%	0.2%	0.0%	0.2%
Multi-Asset Inflation-Linked Assets Composite	-21.7%	2.8%	-24.5%	-0.8%	0.0%	0.1%	-0.7%
GAA Composite	--	-1.1%	--	-0.3%	0.1%	0.1%	-0.2%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>-0.8%</b>	<b>-0.2%</b>	<b>-0.6%</b>	<b>-1.0%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>-0.5%</b>



Health Care Trust Attribution Analysis - Net of Fees

**Attribution Effects**  
1 Year Ending March 31, 2015

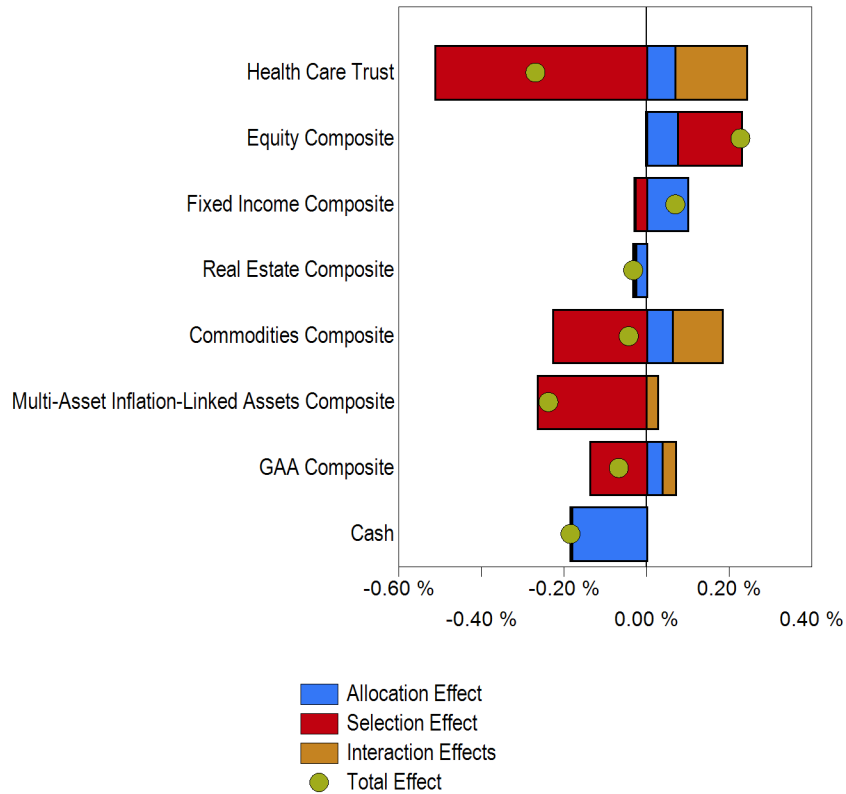


**Attribution Summary**  
1 Year Ending March 31, 2015

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Equity Composite	5.5%	5.1%	0.4%	0.2%	0.0%	0.0%	0.1%
Fixed Income Composite	5.6%	5.7%	-0.1%	0.0%	0.1%	0.0%	0.1%
Real Estate Composite	24.1%	24.2%	-0.1%	0.0%	0.0%	0.0%	0.0%
Commodities Composite	-19.0%	-19.2%	0.2%	0.0%	0.2%	0.0%	0.2%
Multi-Asset Inflation-Linked Assets Composite	-16.9%	4.9%	-21.9%	-0.7%	0.0%	0.1%	-0.6%
GAA Composite	--	--	--	-0.4%	0.1%	0.1%	-0.2%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>3.3%</b>	<b>3.7%</b>	<b>-0.4%</b>	<b>-0.9%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>-0.4%</b>

Health Care Trust Attribution Analysis - Net of Fees

**Attribution Effects**  
Since Inception Ending Mar 31, 2015



**Attribution Summary**  
Since Inception Ending Mar 31, 2015

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Equity Composite	--	13.9%	--	0.2%	0.1%	0.0%	0.2%
Fixed Income Composite	--	2.1%	--	0.0%	0.1%	0.0%	0.1%
Real Estate Composite	--	13.2%	--	0.0%	0.0%	0.0%	0.0%
Commodities Composite	--	-8.6%	--	-0.2%	0.1%	0.1%	0.0%
Multi-Asset Inflation-Linked Assets Composite	--	--	--	-0.3%	0.0%	0.0%	-0.2%
GAA Composite	--	--	--	-0.1%	0.0%	0.0%	-0.1%
Cash	0.0%	0.0%	0.0%	0.0%	-0.2%	0.0%	-0.2%
<b>Total</b>	<b>6.6%</b>	<b>6.9%</b>	<b>-0.3%</b>	<b>-0.5%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>-0.3%</b>

City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

**Health Care Trust Performance Summary – Net of Fees**

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	Return (%)	Since
<b>Health Care Trust</b>	<b>56,162,752</b>	<b>100.0</b>	<b>1.8</b>	<b>--</b>	<b>-0.7</b>	<b>--</b>	<b>3.4</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.7</b>	<b>Jul-12</b>
<i>Policy Benchmark</i>			<i>1.6</i>	<i>--</i>	<i>-0.2</i>	<i>--</i>	<i>3.7</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>6.9</i>	<i>Jul-12</i>
Over/Under			0.2		-0.5		-0.3						-0.2	
<i>Allocation Index</i>			<i>1.8</i>	<i>--</i>	<i>0.7</i>	<i>--</i>	<i>4.7</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>7.3</i>	<i>Jul-12</i>
<b>Equity Composite</b>	<b>24,132,512</b>	<b>43.0</b>	<b>2.8</b>	<b>57</b>	<b>0.5</b>	<b>60</b>	<b>5.5</b>	<b>54</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>14.8</b>	<b>Aug-12</b>
Vanguard Total World Stock Index Fund	24,132,512	43.0	2.8	57	0.5	60	5.5	54	--	--	--	--	14.8	Aug-12
<i>MSCI ACWI IMI (Net)</i>			<i>2.6</i>	<i>61</i>	<i>0.3</i>	<i>61</i>	<i>5.1</i>	<i>56</i>	<i>11.0</i>	<i>65</i>	<i>9.3</i>	<i>66</i>	<i>14.4</i>	<i>Aug-12</i>
Over/Under			0.2		0.2		0.4						0.4	
<i>eA All Global Equity Net Median</i>			<i>3.0</i>		<i>1.3</i>		<i>6.0</i>		<i>12.1</i>		<i>10.5</i>		<i>15.0</i>	<i>Aug-12</i>
<b>Fixed Income Composite</b>	<b>8,135,479</b>	<b>14.5</b>	<b>1.6</b>	<b>43</b>	<b>3.6</b>	<b>22</b>	<b>5.6</b>	<b>27</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2.1</b>	<b>Aug-12</b>
Vanguard Total Bond Market Index Fund	8,135,479	14.5	1.6	43	3.6	22	5.6	27	--	--	--	--	2.1	Aug-12
<i>Barclays Aggregate</i>			<i>1.6</i>	<i>46</i>	<i>3.6</i>	<i>22</i>	<i>5.7</i>	<i>27</i>	<i>3.1</i>	<i>57</i>	<i>4.4</i>	<i>57</i>	<i>2.2</i>	<i>Aug-12</i>
Over/Under			0.0		0.0		-0.1						-0.1	
<i>eA All US Fixed Inc Net Median</i>			<i>1.5</i>		<i>2.1</i>		<i>3.6</i>		<i>3.5</i>		<i>4.7</i>		<i>2.6</i>	<i>Aug-12</i>
<b>Real Estate Composite</b>	<b>6,415,398</b>	<b>11.4</b>	<b>4.7</b>	<b>58</b>	<b>16.0</b>	<b>65</b>	<b>24.1</b>	<b>74</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>13.6</b>	<b>Aug-12</b>
Vanguard REIT Index Fund	6,415,398	11.4	4.7	58	16.0	65	24.1	74	--	--	--	--	13.6	Aug-12
<i>MSCI US REIT</i>			<i>4.5</i>	<i>74</i>	<i>15.0</i>	<i>86</i>	<i>22.7</i>	<i>90</i>	<i>12.9</i>	<i>92</i>	<i>14.6</i>	<i>98</i>	<i>12.3</i>	<i>Aug-12</i>
Over/Under			0.2		1.0		1.4						1.3	
<i>eA US REIT Net Median</i>			<i>5.0</i>		<i>17.0</i>		<i>25.2</i>		<i>14.4</i>		<i>16.4</i>		<i>14.3</i>	<i>Aug-12</i>
<b>Inflation-Linked Composite</b>	<b>5,279,237</b>	<b>9.4</b>	<b>-4.6</b>	<b>--</b>	<b>-21.9</b>	<b>--</b>	<b>-18.5</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-11.4</b>	<b>Oct-12</b>
<b>Commodities Composite</b>	<b>3,966,909</b>	<b>7.1</b>	<b>-5.2</b>	<b>--</b>	<b>-22.0</b>	<b>--</b>	<b>-19.0</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-11.3</b>	<b>Oct-12</b>
<i>Custom Commodity Risk Parity Index</i>			<i>-5.1</i>	<i>--</i>	<i>-22.3</i>	<i>--</i>	<i>-19.2</i>	<i>--</i>	<i>-7.8</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>-10.2</i>	<i>Oct-12</i>
Over/Under			-0.1		0.3		0.2						-1.1	
Credit Suisse	3,966,909	7.1	-5.2	--	-22.0	--	-19.0	--	--	--	--	--	-9.3	Nov-12
<i>Custom Commodity Risk Parity Index</i>			<i>-5.1</i>	<i>--</i>	<i>-22.3</i>	<i>--</i>	<i>-19.2</i>	<i>--</i>	<i>-7.8</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>-9.4</i>	<i>Nov-12</i>
Over/Under			-0.1		0.3		0.2						0.1	
<b>Multi-Asset Inflation-Linked Assets Composite</b>	<b>1,312,327</b>	<b>2.3</b>	<b>-2.8</b>	<b>--</b>	<b>-21.7</b>	<b>--</b>	<b>-16.9</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-12.1</b>	<b>Jan-14</b>
Wellington	1,312,327	2.3	-2.8	--	-21.7	--	-16.9	--	--	--	--	--	-12.1	Jan-14
<i>CPI + 5% (Unadjusted)</i>			<i>1.8</i>	<i>--</i>	<i>2.8</i>	<i>--</i>	<i>4.9</i>	<i>--</i>	<i>6.0</i>	<i>--</i>	<i>6.7</i>	<i>--</i>	<i>6.1</i>	<i>Jan-14</i>
Over/Under			-4.6		-24.5		-21.8						-18.2	

Fiscal year ends June 30.

Note: Composition of Policy Benchmark can be found in appendix.



City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

Health Care Trust Performance Summary – Net of Fees

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	Return (%)	Since
<b>GAA Composite</b>	<b>10,647,668</b>	<b>19.0</b>	<b>1.3</b>	--	--	--	--	--	--	--	--	--	<b>-4.2</b>	<b>Sep-14</b>
60% MSCI World (Net) / 40% CITI WGBI			0.4	--	-2.4	--	1.3	--	6.6	--	6.7	--	-2.5	Sep-14
Over/Under			0.9										-1.7	
<b>GMO</b>	<b>3,600,060</b>	<b>6.4</b>	<b>1.4</b>	--	--	--	--	--	--	--	--	--	<b>-1.3</b>	<b>Sep-14</b>
CPI + 5% (Seasonally Adjusted)			1.0	--	3.0	--	5.0	--	6.0	--	6.7	--	2.2	Sep-14
Over/Under			0.4										-3.5	
60% MSCI World (Net) / 40% CITI WGBI			0.4	--	-2.4	--	1.3	--	6.6	--	6.7	--	-2.5	Sep-14
<b>PIMCO</b>	<b>3,338,881</b>	<b>5.9</b>	<b>-0.3</b>	--	--	--	--	--	--	--	--	--	<b>-8.5</b>	<b>Sep-14</b>
CPI + 6.5% (Seasonally Adjusted)			1.4	--	4.1	--	6.5	--	7.6	--	8.2	--	3.0	Sep-14
Over/Under			-1.7										-11.5	
60% MSCI World (Net) / 40% CITI WGBI			0.4	--	-2.4	--	1.3	--	6.6	--	6.7	--	-2.5	Sep-14
<b>Standard Life</b>	<b>3,708,727</b>	<b>6.6</b>	<b>--</b>	--	--	--	--	--	--	--	--	--	<b>1.9</b>	<b>Feb-15</b>
91 Day T-Bill + 5%			1.2	--	3.7	--	5.0	--	5.0	--	5.1	--	0.8	Feb-15
Over/Under													1.1	
60% MSCI World (Net) / 40% CITI WGBI			0.4	--	-2.4	--	1.3	--	6.6	--	6.7	--	1.6	Feb-15
<b>Cash</b>	<b>1,552,459</b>	<b>2.8</b>	<b>0.0</b>	--	<b>0.0</b>	--	<b>0.0</b>	--	<b>--</b>	--	<b>--</b>	--	<b>0.0</b>	<b>Jul-12</b>
Cash	1,552,459	2.8	0.0	--	0.0	--	0.0	--	--	--	--	--	0.0	Jul-12
91 Day T-Bills			0.0	--	0.0	--	0.0	--	0.0	--	0.1	--	0.0	Jul-12
Over/Under			0.0		0.0		0.0						0.0	

Standard Life funded as of 1/28/2015.

## City of San Jose Police and Fire Department Retirement Plan – Health Care Trust

### Due Diligence Monitor

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

Investment Options	Performance (Recent Quarter)	Changes/Announcements (Recent Quarter)	NEPC Due Diligence Committee Recommendations	Plan Recommendation	Comments
<b>Vanguard Total World Stock Index</b>	-	-	-	-	
<b>Vanguard Total Bond Market Index</b>	-	-	-	-	
<b>Vanguard REIT Index</b>	-	-	-	-	
<b>Credit Suisse Risk Parity Commodity Fund</b>	N/A	-	Hold Q2 2014	No Action	
<b>Wellington Diversified Inflation Hedges</b>	N/A	-	-	-	
<b>GMO Benchmark-Free Allocation Fund</b>	N/A	Yes	No Action	-	Funded 8/2014
<b>PIMCO All Asset All Authority Fund</b>	N/A	Yes	Watch Q1 2015	Watch	Upgraded from Client Review

#### NEPC Due Diligence Committee Recommendation Key

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



**PIMCO Firm Due Diligence Status Update**

Due Diligence Process and Ratings Changes

In the months following the departure of Bill Gross, NEPC maintained a consistent dialogue with PIMCO executives, senior investment personnel, and staff. These interactions included two onsite meetings in Newport Beach, a conference call and in-person discussion with CEO Doug Hodge, several product-specific updates, and constant ad-hoc conversations with PIMCO representatives. Through these conversations we gathered information related to Bill Gross' departure, specifically, the impact on investment performance, internal working environment, PIMCO's approach towards managing a high level of redemptions, revenue losses and organizational flexibility, and retention of key professionals. The insight gained from these conversations combined with the actual results in the months after the announcement provide us with a basis on which to make a recommendation.

In the period beginning January 1, 2014 through March 31, 2015, PIMCO total assets under management fell by approximately \$330 billion. Much of the outflows occurred following Bill Gross's departure and more than half was redeemed from the Total Return strategy. There are signs that asset flows have stabilized outside of Total Return, with several strategies experiencing net inflows in March 2015. In addition, there is no evidence that PIMCO has made any material organizational changes to adjust for the loss in revenue. We believe that PIMCO has a great deal of financial flexibility in this regard through compensation adjustments, employee attrition, and overall financial health. One factor that did not go unnoticed in conversations with members of the investment team is the improvement in the workplace environment since Mr. Gross' departure. By all accounts it appears the atmosphere is positive and more conducive to a collegial workplace. While it will take time to see if this new PIMCO environment will yield positive results for clients, it is a step in the right direction.

The due diligence status updates detailed below are divided into four areas:

- 1) PIMCO at the firm level
- 2) Total Return
- 3) Unconstrained Bond
- 4) Other PIMCO strategies

**PIMCO - Firm Status:** In the period beginning January 1, 2014 through March 31, 2015, PIMCO total assets under management fell by approximately \$330 billion. Much of the outflows occurred following Bill Gross's departure and more than half was redeemed from the Total Return strategy. There are signs that asset flows have stabilized outside of Total Return, with several strategies experiencing net inflows in March 2015. In addition, there is no evidence that PIMCO has made any material organizational changes to adjust for the loss in revenue. We believe that PIMCO has a great deal of financial flexibility in this regard through compensation adjustments, employee attrition, and overall financial health. One factor that did not go unnoticed in conversations with members of the investment team is the improvement in the workplace environment since Mr. Gross' departure. By all accounts it appears the atmosphere is positive and more conducive to a collegial workplace. While it will take time to see if this new PIMCO environment will yield positive results for clients, it is a step in the right direction. For these reasons we are upgrading PIMCO's firm due diligence status to Watch from Client Review.

Due Diligence Commentary

**PIMCO Firm Due Diligence Status Update (continued)**

- **Total Return:** The Total Return strategy has been impacted significantly as result of Bill Gross’ resignation. He was the primary decision maker since the strategy’s inception and a major factor in its success over the years. As expected, outflows were substantial – including 2014 and the first quarter 2015 the Total Return strategy platform AUM fell 45%. While performance in the Total Return strategy has been fairly strong since Mr. Gross resigned, a degree of uncertainty remains regarding the new team and decision making structure. We will continue to monitor the Total Return strategy over the next several months before reconsidering its due diligence status of Client Review.
- **Unconstrained Bond:** The Unconstrained Bond strategy has experienced a high level of portfolio management turnover since lead portfolio manager Chris Dialynas announced his sabbatical in the fourth quarter of 2013. In response Bill Gross took over as lead portfolio manager before departing in September of 2014. Adding to that, Unconstrained Bond portfolio manager Saumil Parikh left the firm in January of 2015. After returning to PIMCO following a short employment with GMO, CIO of Non-Traditional Strategies Marc Seidner was named lead portfolio manager on the Unconstrained Bond Fund, filling the void left by Mr. Parikh. While we have confidence in Mr. Seidner and the rest of the Unconstrained Bond team’s ability to manage the strategy, the level of turnover at the senior level gives us pause. Outflows have also been substantial from Unconstrained Bond. Assets under management fell 55% from January 1, 2014 to March 31, 2015, although redemptions appear to be slowing. Over the coming months we will continue to monitor the Unconstrained Bond strategy before reconsidering its due diligence status of Client Review.
- **All other PIMCO strategies:** The impact of Bill Gross’s departure for a majority of PIMCO strategies is much less significant from an investment standpoint. While outflows did occur across the product platform, redemptions tapered off quickly in the months since the announcement and reversed in some cases. While some strategies may continue to feel a residual impact from the organizational changes we are comfortable with the investment teams and strategies and see little in terms of product-specific risks going forward. All PIMCO strategies with the exception of Total Return and Unconstrained Bond will have their Client Review due diligence status rescinded. These strategies will retain a due diligence status of Watch due to the overall PIMCO Firm rating detailed above.
- **For these reasons we are upgrading PIMCO’s firm due diligence status to Watch from Client Review.**

**Asset Flow Summary**

In millions \$	3/31/2015	12/31/2014	12/31/2013	AUM Change 12/31/2014 - 3/31/2015	AUM Change 12/31/2013 - 3/31/2015
<b>Firm AUM</b>	<b>\$ 1,588,065</b>	<b>\$ 1,680,389</b>	<b>\$ 1,919,589</b>	<b>\$ (92,324)</b>	<b>\$ (331,524)</b>
Total Return	\$ 261,191	\$ 300,983	\$ 471,648	\$ (39,792)	\$ (210,457)
Unconstrained Bond	\$ 19,874	\$ 23,328	\$ 44,284	\$ (3,454)	\$ (24,410)
All Asset Strategy	\$ 48,651	\$ 52,002	\$ 63,231	\$ (3,351)	\$ (14,580)
StocksPLUS	\$ 20,852	\$ 15,982	\$ 17,069	\$ 4,871	\$ 3,783
Emerging Markets Debt	\$ 49,714	\$ 53,380	\$ 68,113	\$ (3,666)	\$ (18,400)
Diversified Income	\$ 19,098	\$ 19,601	\$ 27,400	\$ (503)	\$ (8,302)
Short Duration	\$ 83,250	\$ 92,862	\$ 110,241	\$ (9,612)	\$ (26,991)
Long Duration	\$ 130,249	\$ 133,576	\$ 125,035	\$ (3,328)	\$ 5,213
Income Fund	\$ 57,646	\$ 53,625	\$ 34,111	\$ 4,020	\$ 23,535

## Due Diligence Commentary

### **GMO & Co., LLC**

On February 26, 2015 GMO announced the departure of one employee and five additions to their asset allocation team.

Departure: Edmund Bellord – Mr. Bellord was a portfolio strategist on the asset allocation team and served largely in a client facing role. He will be leaving to join QMA in what is expected to be a similar role. Though Mr. Bellord was a visible member of the asset allocation team to many clients we expect his departure to have a minimal effect on any GMO strategies as his involvement with strategy and implementation was limited.

Additions: Vlad Barbalat – Mr. Barbalat comes from Goldman Sachs and will serve as a senior member on the asset allocation team focusing on the mean reversion and alpha only strategies. John Thorndike – Mr. Thorndike is expected to join in April and is coming from TIFF where he served as a managing director and Deputy CIO. He is expected to focus on absolute return strategies. Rick Friedman – Mr. Friedman joined the asset allocation team after working on GMO's global client relations team in the Berkeley office. Matt Lehman – Mr. Lehman will be joining from J.P. Morgan and will take on a client facing and analyst role. Amar Reganti – Mr. Reganti will be joining from the US Treasury and will take on a client facing and analyst role.

Despite Mr. Bellord's departure we remain confident in GMO's ability to source and retain talent, as exhibited by a number of the asset allocation team's recent additions. Though Mr. Bellord was very visible among NEPC clients we feel his departure will not have material effect on any strategies the asset allocation team has management responsibilities for and that his relationship responsibilities can be adequately covered given recent additions and the depth of the team. Additionally, Ben Inker and Sam Wilderman remain in place as co-heads of the asset allocation team and key drivers of strategy.

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



## Policy Benchmark History

- **7/1/12 – 7/31/12:** 90 day T-Bills
- **8/1/12 – 12/31/13:** 43% MSCI ACWI IMI (Net)/35% Barclays Capital U.S. Aggregate/10% MSCI U.S. REIT/12% Custom Commodity Risk Parity Index
- **1/1/14 – 8/31/2014:** 43% MSCI ACWI IMI (Net)/35% Barclays Capital U.S. Aggregate/10% MSCI U.S. REIT/9% Custom Commodity Risk Parity Index/3% CPI + 5% (Unadjusted)
- **9/1/14 - present:** 43% MSCI ACWI IMI (Net)/15% Barclays Capital U.S. Aggregate/10% MSCI U.S. REIT/9% Custom Commodity Risk Parity Index/3% CPI + 5% (Unadjusted)/20% 60/40 MSCI World (Net)/Citi World Government Bond Index

## Information Disclaimer and Reporting Methodology

### Information Disclaimer

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may not be available from the source or may be preliminary and subject to change.
- NEPC's source for portfolio pricing, calculation of accruals, and transaction information is the plan's custodial bank. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- This report is provided as a management aid for the client's internal use only. Performance contained in this report does not constitute a recommendation by NEPC.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

### Reporting Methodology

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