

# FUND EVALUATION REPORT

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## San Jose Federated City Employees' Retirement System

Quarterly Review  
June 30, 2015



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BOSTON  
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8-25-2015 JOINT IC FED ITEM #2

**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 June 30, 2015**

**The value of the San Jose Federated City Employees' Retirement System assets was \$2.00 billion on June 30, 2015, a decrease of approximately \$46 million from the end of the first calendar quarter. The decrease was due to net outflows of \$47.4 million during the second calendar quarter, while investment performance was positive.**

- During the second calendar quarter, Northern Trust Global LargeMid NR and SSgA DJ Brookfield Infrastructure Index were replaced with passive products offered by Rhumblin, in order to reduce fees across both the Federated Pension Plan and the 115 Healthcare Trust.
- During the second quarter, the Retirement System's net-of-fees performance, including the overlay, was +0.1%. The Fund's net-of-fees performance was +1.2% for the calendar year-to-date period and -1.0% for the fiscal year.
- During the second quarter, the Retirement System, including the overlay, underperformed both the Policy Benchmark and the Custom Benchmark, by approximately 0.3%.
  - The primary detractor from Retirement System performance for the quarter was the absolute return asset class, which returned -1.8% for the quarter, underperforming the HFRI Macro: Discretionary Thematic Index's return of +0.4%.
- For the fiscal year, the Retirement System, including the overlay, outperformed both the Policy Benchmark (by 0.3%) and the Custom Benchmark (by 0.6%), on a net-of-fees basis.
  - Most asset classes either matched or outperformed their respective benchmarks for the fiscal year. In particular, fixed income returned -0.8% for the fiscal year, compared to -7.1% for the Barclays Global Aggregate Index. Absolute return returned +4.9%, compared to 0.0% for the HFRI Macro Discretionary Thematic Index. Additionally, real estate returned +22.0% on a time-weighted basis for the fiscal year, while the NCREIF Property Index returned +13.0%.
- The System underperformed the peer Public Plans > \$1 billion universe median by 0.3% during the second quarter. Lower performance relative to peers is due primarily to the System's conscious decision to underweight U.S. equity relative to peers and overweight other asset classes, particularly alternatives, on a relative basis.

## Manager Highlights

- Vontobel Emerging Markets Equity returned -1.1% net-of-fees for the quarter, underperforming the MSCI Emerging Markets benchmark's return of +0.7%. Emerging Markets, as an asset class, had significant volatility throughout the quarter, due in part to the Greek Debt Crisis and low energy prices, as well as volatility in China's stock market. Vontobel's absolute performance was hurt by holdings of Sun Pharmaceuticals and Sands China. Sun Pharmaceuticals missed earnings expectations while Sands China suffered from weak earnings due to Chinese economic weakness and the government crackdowns on corruption. Subsequent to quarter-end, Vontobel protected value significantly. During the month of July, Vontobel returned -1.2% net of fees compared to -6.9% for the MSCI Emerging Markets Index. As the Board is aware, Vontobel has high tracking error relative to the index.
- Cove Street Small Cap Value returned +2.3% net-of-fees for the quarter, significantly outperforming the Russell 2000 Value benchmark's return of -1.2%. Stock selection was the primary driver of outperformance, adding 4.2% to relative outperformance. Several holdings posted significant returns for the quarter including Cherokee Inc. (+44.9%), American Vanguard Group (+29.9%), and Heritage-Crystal Clean Inc. (+25.6%).
- Aberdeen Frontier Markets outperformed the MSCI Frontier Markets return of 0.0% with a quarterly return of +1.9%, net-of-fees. Telecommunications and Financials were the top contributors to relative outperformance, adding 115 and 83 basis points, respectively. Aberdeen did not hold several benchmark securities that suffered significant declines during the quarter, such as Banco Marco Bansud (-20.3%) and Telecom Argentina (-19.0%).
- Sandler Plus Offshore Fund underperformed the HFRI Equity Hedge (Long/Short Equity) by 4.6% for the quarter, returning -2.6% vs. +2.0% for the benchmark. The underperformance was mainly driven from performance during April. In April, Sandler's long positions were down -1.8% for the month and short positions were down -4.4%. These losses were not driven by single positions, but the portfolio made slight adjustments in May to their energy exposures on the expectation that U.S. growth will bounce back.

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation <sup>1</sup>	Comments
Artisan	Global Equity	Yes	---	Hold	Large cash position
Cove Street Capital	Small Cap Equity	Yes	---	Hold	Analyst Departure
Vontobel	Emerging Markets Equity	---	---	---	
Aberdeen	Frontier Markets Equity	Yes	---	Hold	Purchase of SVG Capital and Flag Capital Management
Amici Offshore	Long-Short Equity	---	---	---	
Horizon Portfolio I	Long-Short Equity	Yes	---	Hold	CCO replaced
Marshall Wace Eureka	Long-Short Equity	Yes	---	Hold	Acquired quant fund
Sandler Plus	Long-Short Equity	---	---	---	
Senator Global Opportunity	Long-Short Equity	Yes	---	Hold	Blackstone relationship Team departures
Credit Suisse	Commodities	Yes	---	Hold	DOL QPAM Exemption, CEO Departure
First Quadrant	Commodities	---	---	---	
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	---	---	---	

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

**Artisan**

- Artisan's account guidelines state that "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 11.0%-13.6%) during second quarter. The System has not provided further instructions regarding the cash levels, given that Artisan's cash position is an active decision due to their stated difficulty in finding attractively valued investment opportunities.

**Cove Street**

- In June 2015, one of Cove Street's analysts, Rohan Rangaraj, left the firm.

**Aberdeen**

- In May 2015, Aberdeen agreed to acquire FLAG Capital Management, a manager of private equity and real asset solutions with offices in Stamford, Boston and Hong Kong. The acquisition is expected to close in the third quarter of 2015.
- In June 2015, Aberdeen completed the purchase of SVG Capital plc's outstanding stake in the joint venture vehicle Aberdeen SVG Private Equity. Aberdeen had previously acquired a 50.1% stake in the joint venture vehicle in May 2013.

**Horizon**

- In April 2015, Robin Shulman, Chief Compliance Officer of Horizon, left to pursue another employment opportunity. Jay Kesslen, Horizon's General Counsel, assumed the CCO role at that time. Mr. Kesslen joined the firm in 1999 and currently serves as General Counsel, Chief Compliance Officer, and assistant secretary of the board.



**Marshall Wace**

- Marshall Wace recently acquired quantitative hedge fund manager 80 Capital, which has \$100 million in assets under management. The five-person team from 80 Capital will continue to run its flagship Helium systematic futures strategy, rebranded as MW Helium. Marshall Wace, which has approximately \$20 billion in assets, used the acquisition to further diversify their business and offerings.

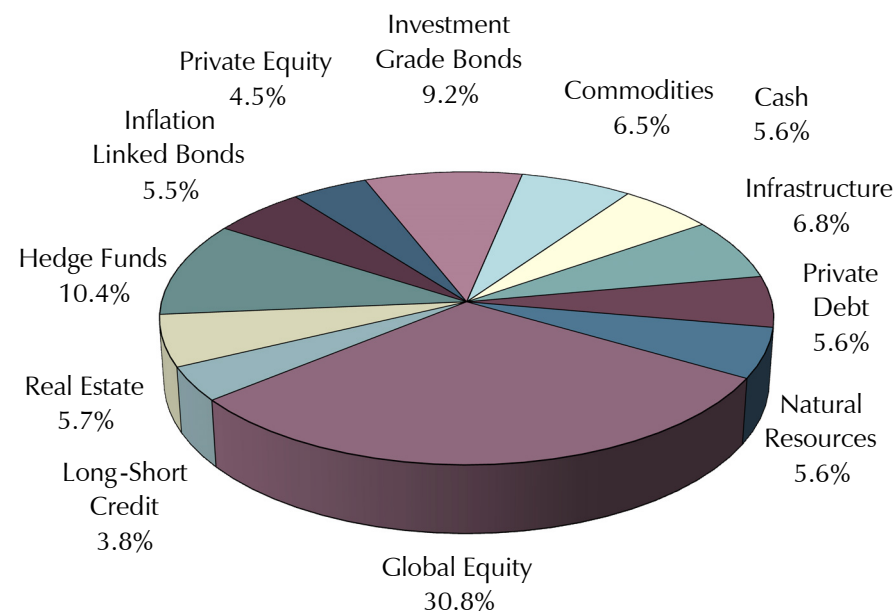
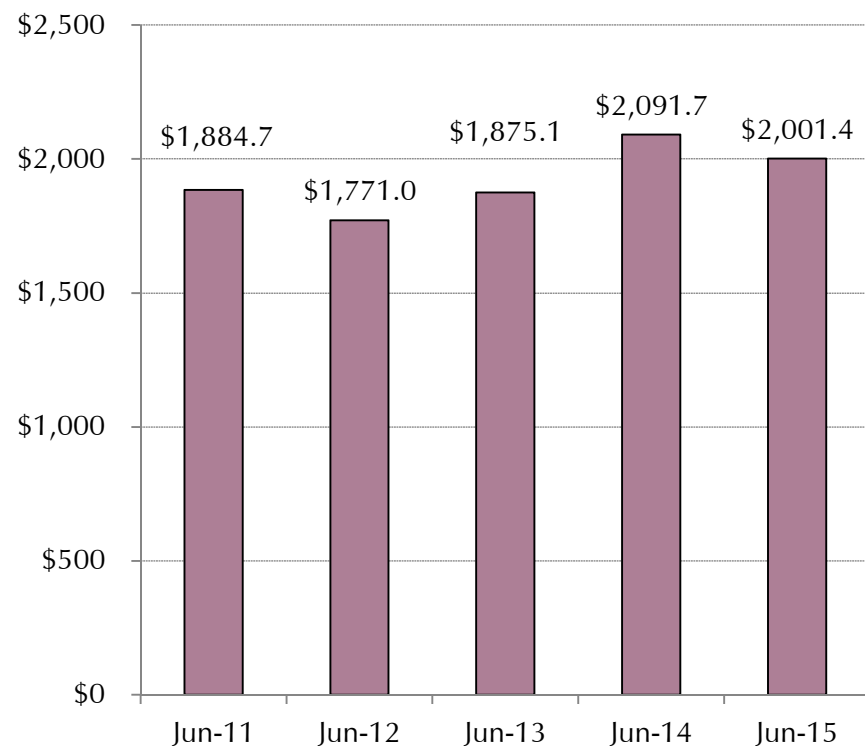
**Credit Suisse**

- On May 19, 2014, Credit Suisse AG, the parent company of Credit Suisse Asset Management, pled guilty (under an agreement with regulators) to charges of helping U.S. citizens avoid taxes overseas.
- On November 14, 2014, the U.S. Department of Labor (DOL) announced that it had granted Credit Suisse a one year interim exemption to enable them to continue acting as a Qualified Professional Asset Manager (QPAM) for its ERISA clients. The DOL also has proposed a ten year exemption that will run throughout the period of QPAM disqualification (i.e., through November 21, 2024). At that point, Credit Suisse will no longer need any QPAM exemption, as the disqualification period will have terminated. In the case of 23 firms that have sought exemptions from the DOL since 1997, every waiver has been granted.
- The DOL held a public hearing on January 15, 2015, to seek comment on the proposed ten year exemption. None of the comments or requests for a hearing was made by a plan fiduciary, participant or beneficiary whose assets are managed by Credit Suisse.
- At this time, it does not appear that the activities for which the parent company was punished should have a material impact on Credit Suisse Asset Management's ability to invest commodities for the System. We provided a memo to the Board dated June 10, 2014, and we will continue to monitor the situation going forward.
- On July 1, 2015, Tidjane Thiam replaced Brady Dougan as CEO of Credit Suisse Group.

### Claren Road Credit

- Claren Road Credit Fund's trailing period performance has significantly lagged the HFRI RV Fixed Income-Corporate Index benchmark over all periods shown in the second quarter performance update. Claren Road had second quarter performance of -6.0% vs. +0.1% for the index. The fiscal year return was -16.9% for Claren Road, while the benchmark returned -1.7%. The Claren Road investment has been analyzed and was discussed at the Investment Committee and Board level during 4Q14 and 1Q15, and will continue to be monitored intensively by staff and consultants.

**Plan Summary  
As of June 30, 2015**



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

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Asset Summary as of 6/30/15

	Market Value 6/30/15 (\$ mm)	% of Retirement System	Russell Overlay Net Position <sup>1</sup> (%)	Target Allocation (%)	Target Range (%)	Market Value 3/31/15 (\$ mm)
<b>Total Fund Aggregate</b>	<b>2,001.4</b>	<b>100.0</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>2,047.3</b>
<b>Equity Assets</b>	<b>705.8</b>	<b>35.3</b>	<b>36.8</b>	<b>37</b>	<b>30-44</b>	<b>738.5</b>
Global Equity <sup>2</sup>	616.1	30.8	32.3	28	20-36	643.3
<i>Long-Short Equity</i>	118.2	5.9	5.9	6	3-9	117.5
Private Equity <sup>3</sup>	89.7	4.5	4.5	9	4-14	95.2
<b>Fixed Income Assets</b>	<b>483.5</b>	<b>24.2</b>	<b>23.3</b>	<b>24</b>	<b>14-34</b>	<b>488.4</b>
Investment Grade Bonds	184.9	9.2	8.3	5	4-8	185.7
Inflation Linked Bonds	109.4	5.5	5.5	5	4-8	108.7
Global Credit	189.2	9.5	9.5	14	6-22	194.0
<i>Long-Short Credit</i>	76.2	3.8	3.8	4	0-6	78.7
<i>Private Debt</i> <sup>3</sup>	113.0	5.6	5.6	NA	NA	115.4
<b>Real Assets</b>	<b>492.0</b>	<b>24.6</b>	<b>24.6</b>	<b>23</b>	<b>15-30</b>	<b>492.2</b>
Real Estate	114.2	5.7	5.7	7	4-10	114.1
Natural Resources	111.2	5.6	5.6	5	2-8	111.2
Infrastructure	135.6	6.8	6.8	5	2-8	138.9
Commodities	131.0	6.5	6.5	6	2-10	128.0
<b>Absolute Return Assets<sup>4</sup></b>	<b>208.8</b>	<b>10.4</b>	<b>10.4</b>	<b>11</b>	<b>6-16</b>	<b>212.7</b>
<b>GTAA/Opportunistic</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>5</sup></b>	<b>111.3</b>	<b>5.6</b>	<b>4.9</b>	<b>0</b>	<b>0-5</b>	<b>115.4</b>

<sup>1</sup> Data in the column title "Russell Overlay Net Position" is based on physical exposures, adjusted for synthetic positions provided by Russell Investments.

<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 3/31/15, adjusted for cash flows through 6/30/15.

<sup>4</sup> Final NAV and performance provided by Alboume.

<sup>5</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 6/30/15

	Market Value 6/30/15 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 3/31/15 (\$ mm)
<b>Total Fund Aggregate</b>	<b>2,001.4</b>	<b>NA</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>2,047.3</b>
<b>Equity Assets</b>	<b>705.8</b>	<b>100.0</b>	<b>35.3</b>	<b>37</b>	<b>30-44</b>	<b>738.5</b>
<b>Global Equity<sup>1</sup></b>	<b>616.1</b>	<b>100.0</b>	<b>30.8</b>	<b>28</b>	<b>20-36</b>	<b>643.3</b>
Artisan Global Value	171.8	27.9	8.6			170.4
Northern Trust MSCI EAFE Index-NL	111.0	18.0	5.5			66.6
Vontobel Emerging Markets Equity	72.5	11.8	3.6			143.6
Northern Trust Russell 3000 Index	66.4	10.8	3.3			71.2
Cove Street Small Cap Value	31.9	5.2	1.6			31.1
Northern Trust EAFE Small Cap-NL	24.9	4.0	1.2			23.9
Aberdeen Frontier Markets Equity	19.4	3.1	1.0			19.0
<b>Long-Short Equity</b>	<b>118.2</b>	<b>19.2</b>	<b>5.9</b>	<b>6</b>	<b>3-9</b>	<b>117.5</b>
Senator Global Opportunity Offshore Fund	26.1	4.2	1.3			25.7
Sandler Plus Offshore Fund	23.7	3.8	1.2			24.3
Marshall Wace MW Eureka	23.5	3.8	1.2			22.8
Horizon Portfolio I	23.5	3.8	1.2			23.1
Amici Offshore	21.3	3.5	1.1			21.5

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



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 6/30/15

	Market Value 6/30/15 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 3/31/15 (\$ mm)
<b>Equity Assets (continued)</b>						
<b>Private Equity<sup>1</sup></b>	<b>89.7</b>	<b>100.0</b>	<b>4.5</b>	<b>9</b>	<b>4-14</b>	<b>95.2</b>
Pantheon USA Fund VII	32.6	36.4	1.6			33.9
Pathway Private Equity Fund VIII	17.3	19.3	0.9			19.9
Pantheon Global Secondary Fund III 'B'	14.7	16.4	0.7			15.8
Partners Group Secondary 2011	14.1	15.7	0.7			13.8
Partners Group Secondary 2008	6.8	7.6	0.3			7.4
Great Hill Equity Partners IV	4.1	4.6	0.2			4.4
<b>Fixed Income Assets</b>	<b>483.5</b>	<b>100.0</b>	<b>24.2</b>	<b>24</b>	<b>14-34</b>	<b>488.4</b>
<b>Investment Grade Bonds</b>	<b>184.9</b>	<b>100.0</b>	<b>9.2</b>	<b>5</b>	<b>4-8</b>	<b>185.7</b>
Northern Trust 1-10 Year Intermediate Gov't Bond Index-NL	184.9	100.0	9.2			185.7
<b>Inflation Linked Bonds</b>	<b>109.4</b>	<b>100.0</b>	<b>5.5</b>	<b>5</b>	<b>4-8</b>	<b>108.7</b>
Northern Trust 0-5 Year TIPS	109.4	100.0	5.5			108.7

<sup>1</sup> Fair values are based on reported value as of 3/31/15, adjusted for cash flows through 6/30/15.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 6/30/15

	Market Value 6/30/15 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 3/31/15 (\$ mm)
<b>Fixed Income Assets (continued)</b>						
<b>Global Credit</b>	<b>189.2</b>	<b>100.0</b>	<b>9.5</b>	<b>14</b>	<b>6-22</b>	<b>194.0</b>
<b>Long-Short Credit</b>	<b>76.2</b>	<b>40.3</b>	<b>3.8</b>	<b>4</b>	<b>0-6</b>	<b>78.7</b>
Claren Road Credit Fund	41.8	22.1	2.1			44.4
Davidson Kempner Institutional Partners	34.4	18.2	1.7			34.2
<b>Private Debt<sup>1</sup></b>	<b>113.0</b>	<b>59.7</b>	<b>5.6</b>			<b>115.4</b>
Medley Opportunity Fund II	53.9	28.5	2.7			52.9
White Oak Direct Lending	38.8	20.5	1.9			42.6
GSO Direct Lending	20.3	10.7	1.0			19.8
<b>Real Assets</b>	<b>492.0</b>	<b>100.0</b>	<b>24.6</b>	<b>23</b>	<b>15-30</b>	<b>492.2</b>
<b>Real Estate</b>	<b>114.2</b>	<b>100.0</b>	<b>5.7</b>	<b>7</b>	<b>4-10</b>	<b>114.1</b>
<b>Core Real Estate</b>	<b>81.7</b>	<b>71.6</b>	<b>4.1</b>			<b>79.1</b>
PRISA I	41.7	36.6	2.1			40.5
American Core Realty Fund, LLC	40.0	35.0	2.0			38.6

<sup>1</sup> Fair value based on manager reported 3/31/15 value, adjusted for cash flows through 6/30/15.





# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 6/30/15

	Market Value 6/30/15 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 3/31/15 (\$ mm)
<b>Real Assets (continued)</b>						
<b>Private Real Estate<sup>1</sup></b>	<b>32.5</b>	<b>28.4</b>	<b>1.6</b>			<b>35.0</b>
DRA Growth and Income Fund VII	15.0	13.2	0.8			14.9
DRA Growth and Income Fund V	5.5	4.8	0.3			5.5
Fidelity Real Estate Growth Fund III	4.2	3.7	0.2			6.6
DRA Growth and Income Fund VIII	3.2	2.8	0.2			3.2
DRA Growth and Income Fund VI	3.0	2.6	0.2			3.0
GEAM Value Add Realty Partners	1.5	1.3	< 0.1			1.9
<b>Natural Resources<sup>2</sup></b>	<b>111.2</b>	<b>100.0</b>	<b>5.6</b>	<b>5</b>	<b>2-8</b>	<b>111.2</b>
Rhumblin S&P Global Large MidCap Commodity & NR	110.9	99.7	5.5			0.0
Northern Trust Global LargeMid NR	0.3	0.3	< 0.1			111.2
<b>Infrastructure<sup>2</sup></b>	<b>135.6</b>	<b>100.0</b>	<b>6.8</b>	<b>5</b>	<b>2-8</b>	<b>138.9</b>
Rhumblin DJ Brookfield Global Infrastructure	135.5	99.9	6.8			0.0
SSgA Dow Jones Brookfield Infrastructure Index	0.2	0.1	< 0.1			138.9
<b>Commodities</b>	<b>131.0</b>	<b>100.0</b>	<b>6.5</b>	<b>6</b>	<b>2-10</b>	<b>128.0</b>
First Quadrant Balanced Risk Parity Commodity Fund	68.3	52.1	3.4			67.0
Credit Suisse Risk Parity Commodity Fund	62.8	47.9	3.1			61.0

<sup>1</sup> Fair values are based on reported value as of 3/31/15, adjusted for cash flows through 6/30/15.

<sup>2</sup> Northern Trust Global LargeMid NR and SSgA Dow Jones Brookfield Infrastructure Index were terminated in June 2015. Rhumblin S&P Global LargeMid Commodity & NR and Rhumblin DJ Brookfield Global Infrastructure were funded with in-kind transfers from these terminations.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 6/30/15

	Market Value 6/30/15 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 3/31/15 (\$ mm)
<b>Absolute Return Assets<sup>1</sup></b>	<b>208.8</b>	<b>100.0</b>	<b>10.4</b>	<b>11</b>	<b>6-16</b>	<b>212.7</b>
<b>Relative Value</b>	<b>143.8</b>	<b>68.9</b>	<b>7.2</b>			<b>143.3</b>
DE Shaw	40.8	19.5	2.0			41.0
Arrowgrass International Fund	36.2	17.3	1.8			35.9
Pine River Fund	36.0	17.2	1.8			35.2
Hudson Bay Fund	30.9	14.8	1.5			31.2
<b>Global Macro</b>	<b>65.0</b>	<b>31.1</b>	<b>3.2</b>			<b>69.5</b>
Brevan Howard Multi-Strategy Fund	31.7	15.2	1.6			32.3
BlueCrest	18.4	8.8	0.9			21.2
Kepos Alpha Fund	14.8	7.1	0.7			16.0
<b>Cash<sup>2</sup></b>	<b>111.3</b>	<b>100.0</b>	<b>5.6</b>	<b>0</b>	<b>0-5</b>	<b>115.4</b>

<sup>1</sup> Final 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.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate<sup>2</sup></b>	<b>0.1</b>	<b>1.3</b>	<b>-0.9</b>	<b>7.0</b>	<b>7.1</b>	<b>5.2</b>	<b>1/1/94</b>	<b>7.3</b>
<b>Net of Fees<sup>3</sup></b>	<b>0.1</b>	<b>1.2</b>	<b>-1.0</b>	<b>6.9</b>	<b>7.0</b>	<b>5.0</b>		<b>7.1</b>
<b>Total Fund Aggregate ex Overlay</b>	<b>0.1</b>	<b>1.2</b>	<b>-0.7</b>	<b>6.7</b>	<b>7.1</b>	<b>5.2</b>	<b>1/1/94</b>	<b>7.3</b>
<b>Net of Fees ex Overlay</b>	<b>0.1</b>	<b>1.1</b>	<b>-0.8</b>	<b>6.6</b>	<b>7.0</b>	<b>5.0</b>		<b>7.0</b>
<i>CPI (inflation)</i>	<i>1.1</i>	<i>1.6</i>	<i>0.1</i>	<i>1.3</i>	<i>1.8</i>	<i>2.1</i>		<i>2.3</i>
<i>San Jose FCERS Policy Benchmark<sup>4</sup></i>	<i>0.4</i>	<i>0.8</i>	<i>-1.3</i>	<i>7.0</i>	<i>7.8</i>	<i>5.4</i>		<i>7.2</i>
<i>San Jose FCERS Custom Benchmark<sup>5</sup></i>	<i>0.4</i>	<i>0.7</i>	<i>-1.6</i>	<i>6.7</i>	<i>6.8</i>	<i>NA</i>		<i>NA</i>
<i>Public Plans &gt; \$1 Billion Universe (Median)<sup>6</sup></i>	<i>0.3</i>	<i>2.7</i>	<i>2.5</i>	<i>10.2</i>	<i>10.5</i>	<i>6.4</i>		<i>NA</i>

<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 31 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. Prior to 2014, calendar year returns provided by InvestMetrics.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate</b>								
<b>Equity Assets</b>	<b>0.5</b>	<b>3.0</b>	<b>3.2</b>	<b>13.3</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>12.9</b>
Global Equity	0.4	2.5	0.8	13.4	12.2	NA	5/1/10	9.2
<i>MSCI ACWI IMI</i>	0.5	3.1	0.8	13.3	12.2	6.7		8.9
Long-Short Equity	0.6	4.9	NA	NA	NA	NA	10/1/14	9.4
<i>HFR1 Equity Hedge (Long/Short Equity)</i>	2.0	4.0	2.6	8.4	6.1	4.9		4.0
Private Equity <sup>2</sup>	1.7	6.0	13.5	14.1	13.8	NA	1/1/06	6.8
<i>Cambridge Associates Private Equity Composite</i> <sup>3</sup>	0.3	2.4	5.8	12.7	13.3	11.7		10.9
<b>Fixed Income Assets</b>	<b>-0.7</b>	<b>0.7</b>	<b>-0.8</b>	<b>2.4</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>3.0</b>
<i>Barclays Global Aggregate</i>	-1.2	-3.1	-7.1	-0.8	2.1	3.5		-0.3
Investment Grade Bonds	-0.4	0.8	NA	NA	NA	NA	10/1/14	1.7
<i>Barclays Intermediate Gov't Bond Index</i>	-0.4	0.8	1.8	0.9	2.1	3.7		1.8
Inflation Linked Bonds	0.6	0.9	NA	NA	NA	NA	10/1/14	-0.5
<i>Barclays U.S. TIPS 0-5 Years</i>	0.6	1.0	-1.9	-0.1	1.3	3.0		-0.5
Global Credit	-1.6	0.4	NA	NA	NA	NA	10/1/14	-1.4
Long-Short Credit	-3.2	-2.1	NA	NA	NA	NA	10/1/14	-8.9
<i>HFRX Fixed Income - Credit Index</i>	0.0	1.1	-3.9	3.4	3.2	6.9		-2.3
Private Debt <sup>2</sup>	-0.5	2.1	4.0	8.5	NA	NA	12/1/10	6.9
<i>3 Month Libor + 5%</i>	1.3	2.6	5.3	5.3	5.3	6.9		5.3

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

<sup>2</sup> All manager returns are time-weighted and presented one quarter 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>3</sup> Cambridge Associates Private Equity Composite (40% Secondary and 60% Fund of Funds) used since 1Q14. Data for the Venture Economics Private Equity Index was used through 4Q13, but the index was discontinued in early 2014.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate (continued)</b>								
<b>Real Assets</b>	<b>1.0</b>	<b>-1.2</b>	<b>-10.4</b>	<b>-1.3</b>	<b>1.8</b>	<b>NA</b>	<b>5/1/10</b>	<b>-0.1</b>
Real Estate <sup>2</sup>	3.8	7.4	22.0	14.9	14.4	5.9	1/1/94	9.1
Core Real Estate	3.3	7.0	13.1	11.7	13.2	NA	7/1/09	9.4
<i>NCREIF ODCE Equal Weighted (net)</i>	3.7	7.0	13.6	11.9	13.3	5.6		9.3
Private Real Estate	5.0	8.4	45.5	22.4	18.2	NA	7/1/09	7.0
<i>NCREIF Property</i>	3.1	6.8	13.0	11.7	12.7	8.2		10.3
Natural Resources	0.3	-3.5	-19.3	NA	NA	NA	11/1/12	-5.3
<i>S&amp;P Global Natural Resources</i>	0.1	-2.5	-17.6	-0.8	2.0	4.8		-3.3
Infrastructure	-2.1	-2.9	-2.8	NA	NA	NA	3/1/14	7.2
<i>DJ Brookfield Global Infrastructure Index</i>	-2.6	-3.6	-3.7	12.3	15.8	10.4		6.1
Commodities	2.4	-4.5	-22.4	-7.1	-2.1	NA	5/1/10	-3.3
<i>Bloomberg Commodity Index</i>	4.7	-1.6	-23.7	-8.8	-3.9	-2.6		-5.1
<b>Absolute Return Assets<sup>3</sup></b>	<b>-1.8</b>	<b>2.0</b>	<b>4.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>5.1</b>
Relative Value	0.4	4.9	NA	NA	NA	NA	10/1/14	5.4
<i>HFRI Relative Value Index</i>	0.4	2.3	1.5	6.5	6.3	6.4		1.3
Global Macro	-6.4	-3.7	NA	NA	NA	NA	10/1/14	0.2
<i>HFRI Macro: Discretionary Thematic Index</i>	0.4	2.4	0.0	1.7	1.1	NA		1.1
<b>Russell Investments Overlay<sup>4</sup></b>	<b>0.0</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.3</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> Final NAV and performance provided by Albourne.

<sup>4</sup> Overlay returns provided by Russell Investments.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity Assets</b>	<b>0.5</b>	<b>3.0</b>	<b>3.2</b>	<b>13.3</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>12.9</b>
<b>Global Equity</b>	<b>0.4</b>	<b>2.5</b>	<b>0.8</b>	<b>13.4</b>	<b>12.2</b>	<b>NA</b>	<b>5/1/10</b>	<b>9.2</b>
Artisan Global Value	0.9	1.4	1.2	17.5	NA	NA	3/1/11	13.6
Net of Fees	0.7	1.1	0.6	16.9	NA	NA		12.9
MSCI ACWI Value	0.3	0.5	-3.4	11.8	10.6	5.5		5.8
Northern Trust MSCI EAFE Index-NL	0.8	5.8	-4.0	NA	NA	NA	11/1/12	10.8
Net of Fees	0.8	5.8	-4.0	NA	NA	NA		10.7
MSCI EAFE	0.6	5.5	-4.2	12.0	9.5	5.1		10.4
Vontobel Emerging Markets Equity	-0.9	0.8	-2.5	NA	NA	NA	7/1/13	3.5
Net of Fees	-1.1	0.4	-3.3	NA	NA	NA		2.6
MSCI Emerging Markets	0.7	2.9	-5.1	3.7	3.7	8.1		4.1
Northern Trust Russell 3000 Index	0.2	2.0	7.4	17.8	17.6	8.3	9/1/99	5.6
Net of Fees	0.2	2.0	7.4	17.8	17.6	8.3		5.6
Russell 3000	0.1	1.9	7.3	17.7	17.5	8.2		5.5
Cove Street Small Cap Value	2.5	5.4	-0.9	NA	NA	NA	5/1/14	5.4
Net of Fees	2.3	5.0	-1.6	NA	NA	NA		4.8
Russell 2000 Value	-1.2	0.8	0.8	15.5	14.8	6.9		5.0
Northern Trust EAFE Small Cap-NL	4.3	10.2	-0.4	NA	NA	NA	11/1/12	14.4
Net of Fees	4.3	10.2	-0.5	NA	NA	NA		14.3
MSCI EAFE Small Cap	4.3	10.1	-0.8	15.7	12.4	6.6		14.1

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



	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity Assets (continued)</b>								
Aberdeen Frontier Markets Equity	1.9	-0.9	-8.0	NA	NA	NA	12/1/13	-1.5
Net of Fees	1.5	-1.7	-9.4	NA	NA	NA		-3.0
<i>MSCI Frontier Markets</i>	0.0	-3.2	-13.9	13.0	7.3	0.3		3.6
<i>MSCI Frontier Markets ex GCC</i>	-0.7	-3.8	-14.6	11.4	2.9	5.2		-4.3
<b>Long-Short Equity</b>	<b>0.6</b>	<b>4.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>9.4</b>
Senator Global Opportunity Offshore Fund	1.4	5.0	9.0	NA	NA	NA	4/1/13	12.5
<i>HFRI Event Driven Index</i>	1.3	3.1	-0.1	7.7	6.2	5.8		5.6
Sandler Plus Offshore Fund	-2.6	5.8	16.7	NA	NA	NA	5/1/13	8.1
<i>HFRI Equity Hedge (Long/Short Equity)</i>	2.0	4.0	2.6	8.4	6.1	4.9		6.6
Marshall Wace MW Eureka	3.1	8.1	15.7	NA	NA	NA	4/1/14	12.7
<i>HFRI Equity Hedge (Long/Short Equity)</i>	2.0	4.0	2.6	8.4	6.1	4.9		3.8
Horizon Portfolio I	2.0	1.5	7.0	NA	NA	NA	7/1/13	8.4
<i>HFRI Equity Hedge (Long/Short Equity)</i>	2.0	4.0	2.6	8.4	6.1	4.9		7.4
Amici Offshore	-1.0	4.5	1.8	NA	NA	NA	3/1/13	2.8
<i>HFRI Equity Hedge (Long/Short Equity)</i>	2.0	4.0	2.6	8.4	6.1	4.9		6.9

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

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity Assets (continued)</b>								
<b>Private Equity<sup>2</sup></b>	<b>1.7</b>	<b>6.0</b>	<b>13.5</b>	<b>14.1</b>	<b>13.8</b>	<b>NA</b>	<b>1/1/06</b>	<b>6.8</b>
Pantheon USA Fund VII	2.3	7.0	16.5	16.1	14.6	NA	1/1/07	NA
<i>Cambridge Associates Private Equity Composite<sup>3</sup></i>	0.3	2.4	5.8	12.7	13.3	11.7		10.0
Pathway Private Equity Fund VIII	-1.0	7.2	14.5	15.8	16.5	NA	8/1/04	NA
<i>Cambridge Associates Private Equity Composite<sup>3</sup></i>	0.3	2.4	5.8	12.7	13.3	11.7		12.6
Pantheon Global Secondary Fund III 'B'	1.2	1.7	0.1	3.7	4.9	NA	1/1/07	NA
<i>Cambridge Associates Private Equity Composite<sup>3</sup></i>	0.3	2.4	5.8	12.7	13.3	11.7		10.0
Partners Group Secondary 2011	2.5	7.1	24.8	NA	NA	NA	11/1/12	36.0
<i>Cambridge Associates Private Equity Composite<sup>3</sup></i>	0.3	2.4	5.8	12.7	13.3	11.7		14.3
Partners Group Secondary 2008	-2.9	-1.4	0.5	9.8	14.5	NA	12/1/08	NA
<i>Cambridge Associates Private Equity Composite<sup>3</sup></i>	0.3	2.4	5.8	12.7	13.3	11.7		9.0
Great Hill Equity Partners IV	17.9	18.7	41.9	32.3	28.6	NA	10/1/08	NA
<i>Cambridge Associates Private Equity Composite<sup>3</sup></i>	0.3	2.4	5.8	12.7	13.3	11.7		8.8

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

<sup>2</sup> All manager returns are time-weighted and presented one quarter 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>3</sup> Cambridge Associates Private Equity Composite (40% Secondary and 60% Fund of Funds) used since 1Q14. Data for the Venture Economics Private Equity Index was used through 4Q13, but the index was discontinued in early 2014.





# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Fixed Income Assets</b>	<b>-0.7</b>	<b>0.7</b>	<b>-0.8</b>	<b>2.4</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>3.0</b>
<b>Investment Grade Bonds</b>	<b>-0.4</b>	<b>0.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>1.7</b>
Northern Trust 1-10 Year Intermediate Gov't Bond Index-NL	-0.4	0.8	1.7	NA	NA	NA	10/1/12	0.7
Net of Fees	-0.4	0.8	1.7	NA	NA	NA		0.7
<i>Barclays Intermediate Gov't Bond Index</i>	-0.4	0.8	1.8	0.9	2.1	3.7		0.8
<b>Inflation Linked Bonds</b>	<b>0.6</b>	<b>0.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>-0.5</b>
Northern Trust 0-5 Year TIPS	0.6	0.9	-2.0	NA	NA	NA	7/1/14	-2.0
Net of Fees	0.6	0.9	-2.0	NA	NA	NA		-2.0
<i>Barclays U.S. TIPS 0-5 Years</i>	0.6	1.0	-1.9	-0.1	1.3	3.0		-1.9
<b>Global Credit</b>	<b>-1.6</b>	<b>0.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>-1.4</b>
<b>Long-Short Credit</b>	<b>-3.2</b>	<b>-2.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>-8.9</b>
Claren Road Credit Fund	-6.0	-4.9	-16.9	NA	NA	NA	7/1/13	-8.3
<i>HFRI RV Fixed Income-Corporate Index</i>	0.1	1.7	-1.7	4.9	5.4	4.3		3.5
Davidson Kempner Institutional Partners	0.5	1.6	0.3	NA	NA	NA	2/1/13	5.8
<i>HFRI Event Driven Index</i>	1.3	3.1	-0.1	7.7	6.2	5.8		5.8

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



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Fixed Income Assets (continued)</b>								
<b>Private Debt<sup>2</sup></b>	<b>-0.5</b>	<b>2.1</b>	<b>4.0</b>	<b>8.5</b>	<b>NA</b>	<b>NA</b>	<b>12/1/10</b>	<b>6.9</b>
Medley Opportunity Fund II	1.9	3.6	7.9	9.3	NA	NA	6/1/11	7.9
3 Month Libor + 5%	1.3	2.6	5.3	5.3	5.3	6.9		5.3
White Oak Direct Lending	-4.5	0.0	-1.4	8.3	NA	NA	2/1/11	4.4
3 Month Libor + 5%	1.3	2.6	5.3	5.3	5.3	6.9		5.3
GSO Direct Lending	1.4	0.8	3.8	8.5	NA	NA	3/1/11	12.4
3 Month Libor + 5%	1.3	2.6	5.3	5.3	5.3	6.9		5.3
<b>Real Assets</b>							<b>5/1/10</b>	<b>-0.1</b>
<b>Real Estate<sup>3</sup></b>	<b>3.8</b>	<b>7.4</b>	<b>22.0</b>	<b>14.9</b>	<b>14.4</b>	<b>5.9</b>	<b>1/1/94</b>	<b>9.1</b>
<b>Core Real Estate</b>	<b>3.3</b>	<b>7.0</b>	<b>13.1</b>	<b>11.7</b>	<b>13.2</b>	<b>NA</b>	<b>7/1/09</b>	<b>9.4</b>
PRISA I	3.3	6.6	14.2	12.8	14.8	6.5	7/1/04	7.4
Net of Fees	3.1	6.2	13.3	11.9	13.7	5.5		6.4
NCREIF ODCE Equal Weighted (net)	3.7	7.0	13.6	11.9	13.3	5.6		6.5
American Core Realty Fund, LLC	3.8	8.4	14.0	12.6	13.5	NA	1/1/07	4.9
Net of Fees	3.5	7.9	12.9	11.6	12.4	NA		3.9
NCREIF ODCE Equal Weighted (net)	3.7	7.0	13.6	11.9	13.3	5.6		3.8

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

<sup>2</sup> All manager returns are time-weighted and presented one quarter 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>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.



	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Real Assets (continued)</b>								
<b>Private Real Estate<sup>2,3,4</sup></b>	<b>5.0</b>	<b>8.4</b>	<b>45.5</b>	<b>22.4</b>	<b>18.2</b>	<b>NA</b>	<b>7/1/09</b>	<b>7.0</b>
DRA Growth and Income Fund VII	3.6	7.2	17.3	16.4	NA	NA	4/1/12	15.8
NCREIF Property	3.1	6.8	13.0	11.7	12.7	8.2		11.6
DRA Growth and Income Fund V	3.1	2.9	27.0	12.4	10.0	NA	1/1/06	4.4
NCREIF Property	3.1	6.8	13.0	11.7	12.7	8.2		7.5
Fidelity Real Estate Growth Fund III	13.2	20.5	41.5	23.7	23.7	NA	1/1/08	-9.6
NCREIF Property	3.1	6.8	13.0	11.7	12.7	8.2		5.3
DRA Growth & Income Fund VIII	1.4	4.7	NA	NA	NA	NA	1/1/15	4.7
NCREIF Property	3.1	6.8	13.0	11.7	12.7	8.2		6.8
DRA Growth and Income Fund VI	2.4	2.4	36.8	18.8	19.1	NA	1/1/08	9.3
NCREIF Property	3.1	6.8	13.0	11.7	12.7	8.2		5.3
GEAM Value Add Realty Partners	0.4	28.4	38.2	34.2	26.2	NA	1/1/07	-3.4
NCREIF Property	3.1	6.8	13.0	11.7	12.7	8.2		6.5

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

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

<sup>3</sup> DRA trailing period returns provided by manager.

<sup>4</sup> All manager returns are time-weighted and presented one quarter 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.

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Real Assets (continued)</b>								
<b>Natural Resources</b>	<b>0.3</b>	<b>-3.5</b>	<b>-19.3</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>-5.3</b>
Rhumblin S&P Global Large MidCap Commodity & NR <sup>2</sup>	NA	NA	NA	NA	NA	NA	6/1/15	-5.2
Net of Fees	NA	NA	NA	NA	NA	NA		-5.2
S&P Global Large MidCap Commodity and Resources	0.1	-3.6	-19.7	-2.7	2.6	7.1		-5.2
S&P Global Natural Resources	0.1	-2.5	-17.6	-0.8	2.0	4.8		-4.9
<b>Infrastructure</b>	<b>-2.1</b>	<b>-2.9</b>	<b>-2.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>3/1/14</b>	<b>7.2</b>
Rhumblin DJ Brookfield Global Infrastructure <sup>2</sup>	NA	NA	NA	NA	NA	NA	6/1/15	-4.0
Net of Fees	NA	NA	NA	NA	NA	NA		-4.0
DJ Brookfield Global Infrastructure Index	-2.6	-3.6	-3.7	12.3	15.8	10.4		-4.1
<b>Commodities</b>	<b>2.4</b>	<b>-4.5</b>	<b>-22.4</b>	<b>-7.1</b>	<b>-2.1</b>	<b>NA</b>	<b>5/1/10</b>	<b>-3.3</b>
First Quadrant Balanced Risk Parity Commodity Fund <sup>3</sup>	1.8	-6.4	-25.1	-8.8	NA	NA	4/1/11	-10.3
Custom Risk Parity Commodity Benchmark <sup>4</sup>	2.8	-2.4	-20.1	-5.5	NA	NA		-7.4
Bloomberg Commodity Index	4.7	-1.6	-23.7	-8.8	-3.9	-2.6		-11.1
Credit Suisse Risk Parity Commodity Fund <sup>3</sup>	2.9	-2.4	-19.7	-5.4	NA	NA	4/1/11	-7.3
Custom Risk Parity Commodity Benchmark <sup>4</sup>	2.8	-2.4	-20.1	-5.5	NA	NA		-7.4
Bloomberg Commodity Index	4.7	-1.6	-23.7	-8.8	-3.9	-2.6		-11.1

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

<sup>2</sup> Tracking error due to a cash position resulting from a delay in the ability to invest in certain markets.

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

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



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 6/30/15

	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>1</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Absolute Return Assets<sup>2</sup></b>	<b>-1.8</b>	<b>2.0</b>	<b>4.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>5.1</b>
<b>Relative Value</b>	<b>0.4</b>	<b>4.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>5.4</b>
DE Shaw	1.6	10.6	17.2	NA	NA	NA	4/1/13	15.5
<i>HFRI Fund Weighted Composite Index</i>	0.2	2.4	2.3	6.4	5.1	5.2		4.8
Arrowgrass International Fund	1.0	5.1	5.6	NA	NA	NA	11/1/12	7.3
<i>HFRI Relative Value Index</i>	0.4	2.3	1.5	6.5	6.3	6.4		5.7
Pine River Fund	2.3	4.2	7.4	NA	NA	NA	1/1/13	7.6
<i>HFRI Relative Value Index</i>	0.4	2.3	1.5	6.5	6.3	6.4		5.3
Hudson Bay Fund	-1.2	0.8	-2.9	NA	NA	NA	8/1/13	1.5
<i>HFRI Relative Value Index</i>	0.4	2.3	1.5	6.5	6.3	6.4		5.1
<b>Global Macro</b>	<b>-6.4</b>	<b>-3.7</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>10/1/14</b>	<b>0.2</b>
Brevan Howard Multi-Strategy Fund	-1.7	1.4	3.9	NA	NA	NA	12/1/12	2.2
<i>HFRI Macro Index</i>	-3.6	-0.4	4.1	1.8	1.8	4.2		2.2
BlueCrest	-13.1	-2.9	3.0	NA	NA	NA	4/1/13	-3.6
<i>Barclay BTOP50 Index</i>	-7.6	-3.3	8.1	2.4	2.0	3.3		3.1
Kepos Alpha Fund	-7.3	-14.1	4.6	NA	NA	NA	3/1/13	-0.5
<i>HFRI Macro Systematic Diversified</i>	-6.2	-1.7	8.7	2.0	2.4	6.4		3.1

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

<sup>2</sup> Final NAV and performance 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>	4.3	8.4	9.7	-1.4	13.0	19.4	-23.8	8.8	13.0	6.7
<b>Net of Fees ex Overlay</b>	4.2	8.3	9.6	-1.6	12.8	19.1	-24.0	8.5	12.7	6.4
<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>	3.0	9.8	10.2	-2.6	NA	NA	NA	NA	NA	NA
<i>Public Plans &gt; \$1 Billion (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 31 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>HFR1 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>	18.7	14.6	9.5	15.6	10.9	-13.5	-4.0	15.5	-3.5	NA
<i>Cambridge Associates 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 <sup>1</sup>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRX Fixed Income - Credit Index</i>	-1.8	6.9	7.7	-3.6	10.2	38.9	-14.6	9.2	14.5	10.4
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> Cambridge Associates Private Equity Composite (40% Secondary and 60% Fund of Funds) used since 1Q14. Data for the Venture Economics Private Equity Index was used through 4Q13, but the index was discontinued in early 2014.

<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>
Real Estate <sup>1</sup>	21.1	12.3	8.9	14.9	7.7	-37.7	-5.4	23.4	13.2	22.9
Core Real Estate <sup>2</sup>	11.5	12.6	9.3	16.3	14.2	NA	NA	NA	NA	NA
<i>NCREIF ODCE Equal Weighted (net)</i>	11.4	12.4	9.9	15.0	15.1	-31.3	-11.1	15.0	15.1	19.0
Private Real Estate <sup>2</sup>	45.2	12.2	8.6	13.7	1.8	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
Natural Resources	-9.2	-2.4	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Natural Resources</i>	-9.7	1.5	7.2	-14.9	11.0	36.1	-38.3	41.7	29.8	26.8
Infrastructure	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
Commodities	-8.5	-11.2	-1.3	-9.0	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
<b>Absolute Return Assets<sup>3</sup></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>
Relative Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	4.0	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: Discretionary Thematic Index</i>	-1.6	0.8	3.4	-6.4	5.5	14.5	-12.0	NA	NA	NA
<b>Russell Investments Overlay<sup>4</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> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.

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

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

<sup>4</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
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
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
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-NL	-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
Aberdeen Frontier Markets Equity	-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



# 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>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>	1.1	12.5	8.9	-3.3	11.9	25.1	-21.8	6.6	15.3	7.3
Sandler Plus Offshore Fund	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 MW Eureka	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
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
Amici Offshore	-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>18.7</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>Cambridge Associates 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	20.5	19.1	12.0	15.8	16.8	NA	NA	NA	NA	NA
<i>Cambridge Associates 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 'B'	4.5	4.3	0.9	11.6	5.4	NA	NA	NA	NA	NA
<i>Cambridge Associates 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>Cambridge Associates 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	13.0	15.1	6.0	24.5	20.1	NA	NA	NA	NA	NA
<i>Cambridge Associates 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>Cambridge Associates 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
<b>Fixed Income Assets</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-NL	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

<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> Cambridge Associates Private Equity Composite (40% Secondary and 60% Fund of Funds) used since 1Q14. Data for the Venture Economics Private Equity Index was used through 4Q13, but the index was discontinued in early 2014.



# 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 Assets (continued)</b>										
<b>Inflation Linked Bonds</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Northern Trust 0-5 Year TIPS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Barclays U.S. TIPS 0-5 Years	-1.1	-1.6	2.4	4.5	3.3	10.7	-2.0	9.8	2.6	1.6
<b>Global Credit</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Long-Short Credit</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Claren Road Credit Fund	-10.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
HFRI RV Fixed Income-Corporate Index	1.3	5.7	11.0	0.8	11.8	30.7	-24.2	-0.7	10.8	5.3
Davidson Kempner Institutional Partners	4.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
HFRI Event Driven Index	1.1	12.5	8.9	-3.3	11.9	25.1	-21.8	6.6	15.3	7.3
<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	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	6.7	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

<sup>1</sup> All manager returns are time-weighted and presented one quarter 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.



# 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</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>1</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
<i>NCREIF ODCE Equal Weighted (net)</i>	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
<i>NCREIF ODCE Equal Weighted (net)</i>	11.4	12.4	9.9	15.0	15.1	-31.3	-11.1	15.0	15.1	19.0
<b>Private Real Estate<sup>2,3</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	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 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

<sup>1</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>2</sup> Performance is net of fees.

<sup>3</sup> All manager returns are time-weighted and presented one quarter 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.



# 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>										
DRA Growth and Income Fund VI	45.8	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
GEAM Value Add Realty Partners	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
<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>
Rhumblin S&P Global Large MidCap Commodity & NR	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of fees	NA	NA	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
<i>S&amp;P Global Natural Resources</i>	-9.7	1.5	7.2	-14.9	11.0	36.1	-38.3	41.7	29.8	26.8
<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>
Rhumblin DJ Brookfield Global Infrastructure	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 Balanced Risk Parity Commodity Fund <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 Risk Parity Commodity Fund <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

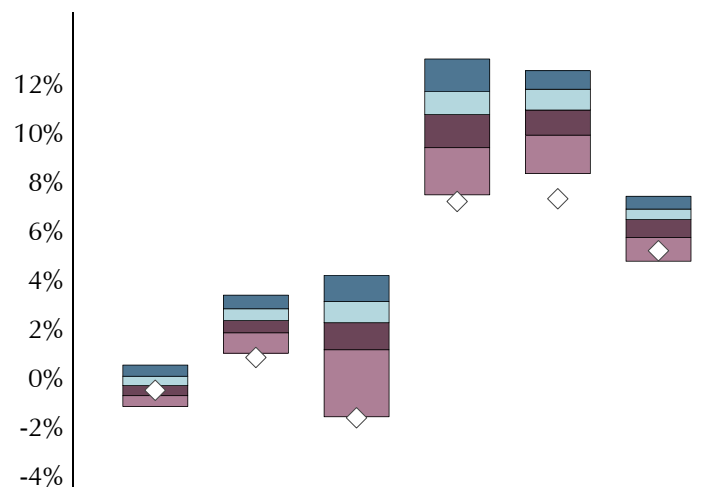
## Aggregate Assets Calendar Year Performance

	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)
<b>Absolute Return Assets<sup>1</sup></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
HFRI Fund Weighted Composite Index	3.0	9.1	6.4	-5.2	10.2	20.0	-19.0	10.0	12.9	9.3
Arrowgrass International Fund	3.4	9.0	NA	NA	NA	NA	NA	NA	NA	NA
HFRI Relative Value Index	4.0	7.1	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0
Pine River Fund	4.8	10.1	NA	NA	NA	NA	NA	NA	NA	NA
HFRI Relative Value Index	4.0	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
HFRI Relative Value Index	4.0	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	1.5	1.4	NA	NA	NA	NA	NA	NA	NA	NA
HFRI Macro Index	5.6	-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
Barclay BTOP50 Index	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
HFRI Macro Systematic Diversified	10.7	-0.9	-2.5	-3.5	9.8	-1.7	18.1	10.4	16.9	14.4

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



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



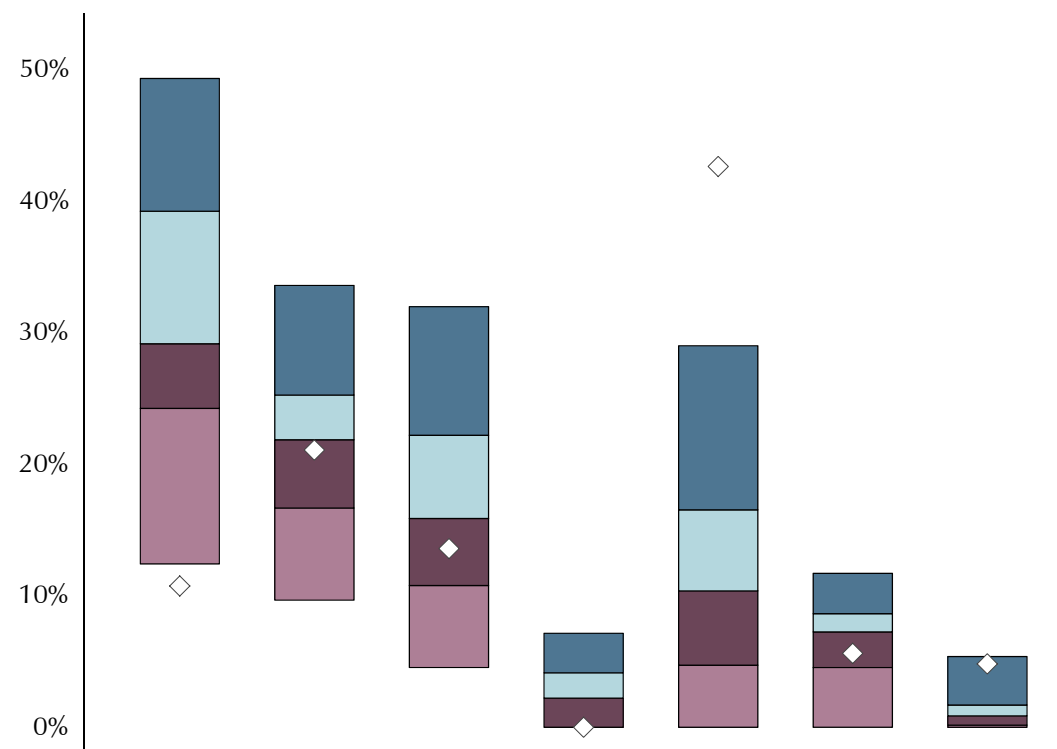
	2Q15 (%)	Cal YTD (%)	Fiscal YR <sup>2</sup> / 1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Total Fund Aggregate (net of fees)</b>	<b>0.1</b>	<b>1.2</b>	<b>-1.0</b>	<b>6.9</b>	<b>7.0</b>	<b>5.0</b>
25th percentile	0.6	3.1	3.3	11.0	11.1	6.7
Median	0.3	2.7	2.6	10.2	10.3	6.3
75th percentile	-0.1	2.2	1.6	9.0	9.4	5.7
Total Fund Standard Deviation	4.7	4.2	3.7	4.6	7.8	9.4
Peer Median Standard Deviation	4.5	5.3	5.2	5.4	7.7	9.7
Population	53	53	53	53	52	48

<sup>1</sup> Final 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</sup>



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
San Jose Allocation (Russell Overlay Net Position) <sup>2</sup>	10.9	21.4	13.8	0.0	43.3	5.7	4.9
25th Percentile	39.9	25.7	22.6	4.2	16.8	8.8	1.7
Median	29.6	22.2	16.1	2.3	10.5	7.4	0.9
75th Percentile	24.6	16.9	11.0	0.0	4.8	4.6	0.2
Population	37	37	37	37	37	37	37

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

<sup>2</sup> Based on 6/30/15 physical exposures, adjusted for synthetic positions provided by Russell Investments.

## San Jose Federated City Employees' Retirement System

## Policy Benchmark Description as of 6/30/15

Time Period	%	Composition
10/1/2014-Present	28	MSCI ACWI IMI
	9	Cambridge Associates Private Equity Composite <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
1/1/2012-9/30/2014	5	60% MSCI ACWI IMI/40% Barclays Global Aggregate <sup>2</sup>
	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>3</sup>
	5	3-Month LIBOR + 5%
4/1/2011-12/31/2011	10	Risk Parity Commodities
	10	CPI-U + 5%
	25	HFRI Fund of Funds Composite
	16	MSCI ACWI
	9	MSCI ACWI Value
	5	MSCI Emerging Markets
	5	MSCI EAFE Small Cap
	3	MSCI EAFE Growth
4/1/2011-12/31/2011	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%

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
7/1/09 – 3/31/2010	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%
	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> Cambridge Associates Private Equity Composite (40% Secondary and 60% Fund of Funds) used since 1Q14. Data for the Venture Economics Private Equity Index was used through 4Q13, but the index was discontinued in early 2014.

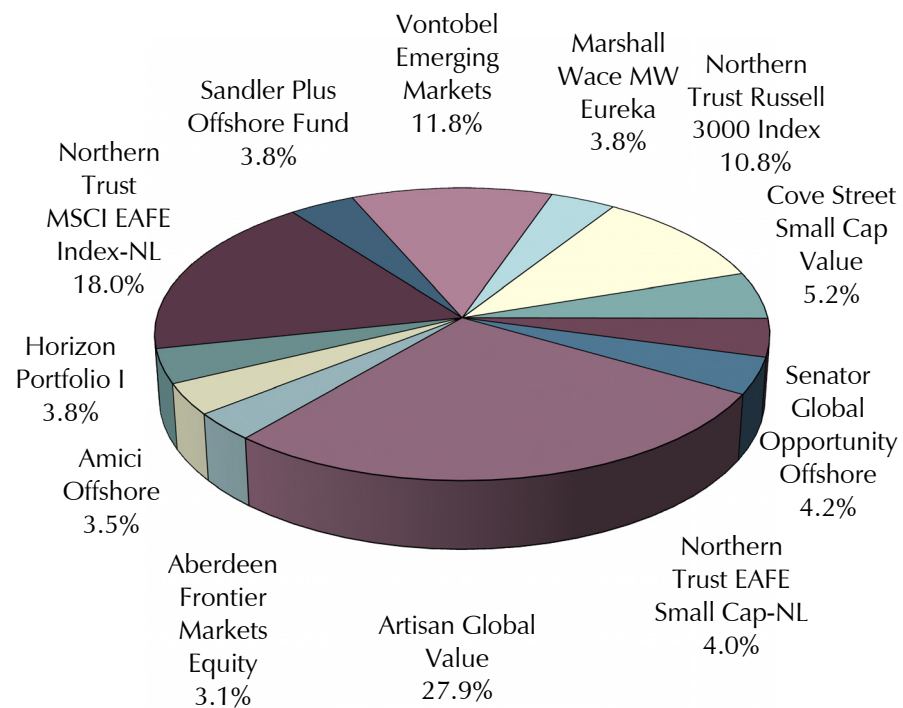
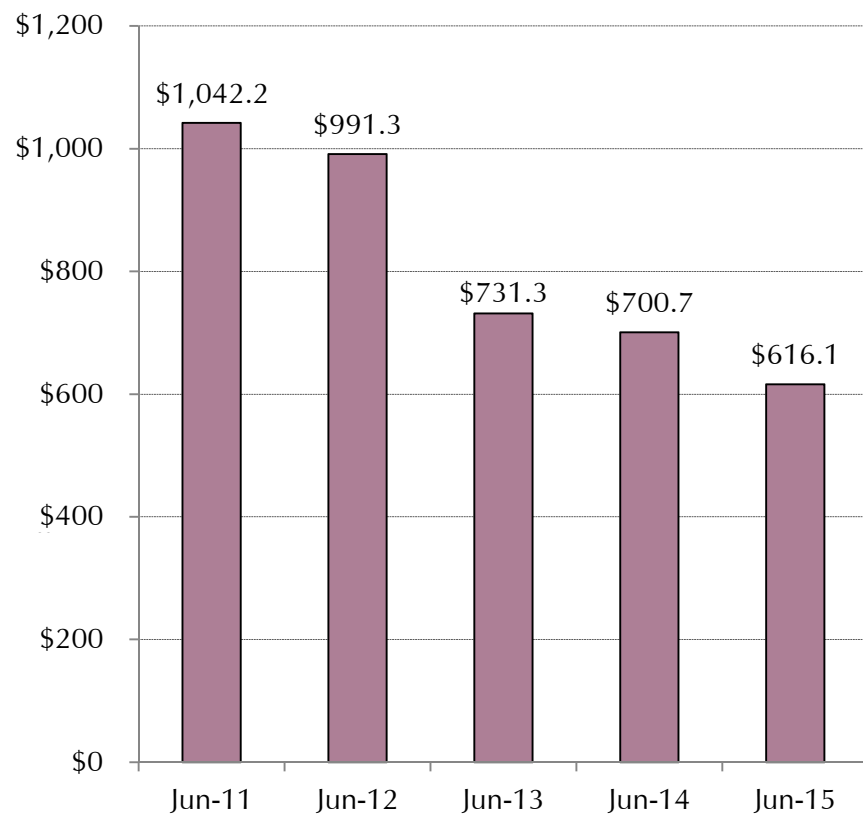
<sup>2</sup> Policy Benchmark from 10/1/14 through 5/31/15, 60% MSCI ACWI IMI/40% Barclays Global Aggregate thereafter.

<sup>3</sup> Barclays U.S. TIPS 1-5 Years through 6/30/14, Barclays U.S. TIPS 0-5 Years thereafter.



## Plan Detail

## Global Equity Assets As of June 30, 2015



Risk: (sixty months)	Aggregate Global Equity <sup>1</sup> 6/30/15	MSCI ACWI IMI 6/30/15
Annualized Return (%)	12.2	12.2
Standard Deviation (%)	14.6	15.5
Best Monthly Return (%)	10.5	10.8
Worst Monthly Return (%)	-9.4	-9.8
Beta	0.93	1.00
Correlation to Index	0.99	1.00
Correlation to Total Fund Return	0.97	NA
Sharpe Measure (risk-adjusted return)	0.84	0.78
Information Ratio	0.04	NA

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

	Aggregate Global Equity <sup>1</sup> 6/30/15	MSCI ACWI IMI 6/30/15	Aggregate Global Equity <sup>1</sup> 3/31/15
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	62.4	76.0	61.4
Median Market Cap. (US\$ billion)	1.9	1.4	1.8
Large (% over US\$20 billion)	60	61	63
Medium (% US\$3 billion to US\$20 billion)	27	29	26
Small (% under US\$3 billion)	13	10	12
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	19	18	20
Price-Book Value Ratio	2.6	1.9	3.1
Dividend Yield (%)	2.1	2.4	2.2
Historical Earnings Growth Rate (%)	10	10	11
Projected Earnings Growth Rate (%)	11	11	13

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

<b>Diversification:</b>	<b>Aggregate Global Equity<sup>1</sup> 6/30/15</b>	<b>MSCI ACWI IMI 6/30/15</b>	<b>Aggregate Global Equity<sup>1</sup> 3/31/15</b>
Number of Holdings	5,744	8,616	5,781
% in 5 largest holdings	8	5	7
% in 10 largest holdings	13	7	13

<b>Largest Five Holdings:</b>	<b>% of Portfolio</b>	<b>Economic Sector</b>
Oracle	1.8	Software & Services
Royal Bank of Scotland	1.5	Banks
Bank of New York Mellon	1.5	Diversified Financials
Citigroup	1.4	Banks
Microsoft	1.3	Software & Services

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



Sector Allocation (%):	Aggregate Global Equity <sup>1</sup> 6/30/15	MSCI ACWI IMI 6/30/15	Aggregate Global Equity <sup>1</sup> 3/31/15
Financials	29	22	28
Consumer Staples	13	9	16
Information Technology	17	14	19
Telecommunication Services	3	3	3
Utilities	2	3	2
Industrials	9	11	8
Materials	3	6	3
Consumer Discretionary	11	13	10
Energy	4	7	4
Health Care	9	12	8

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

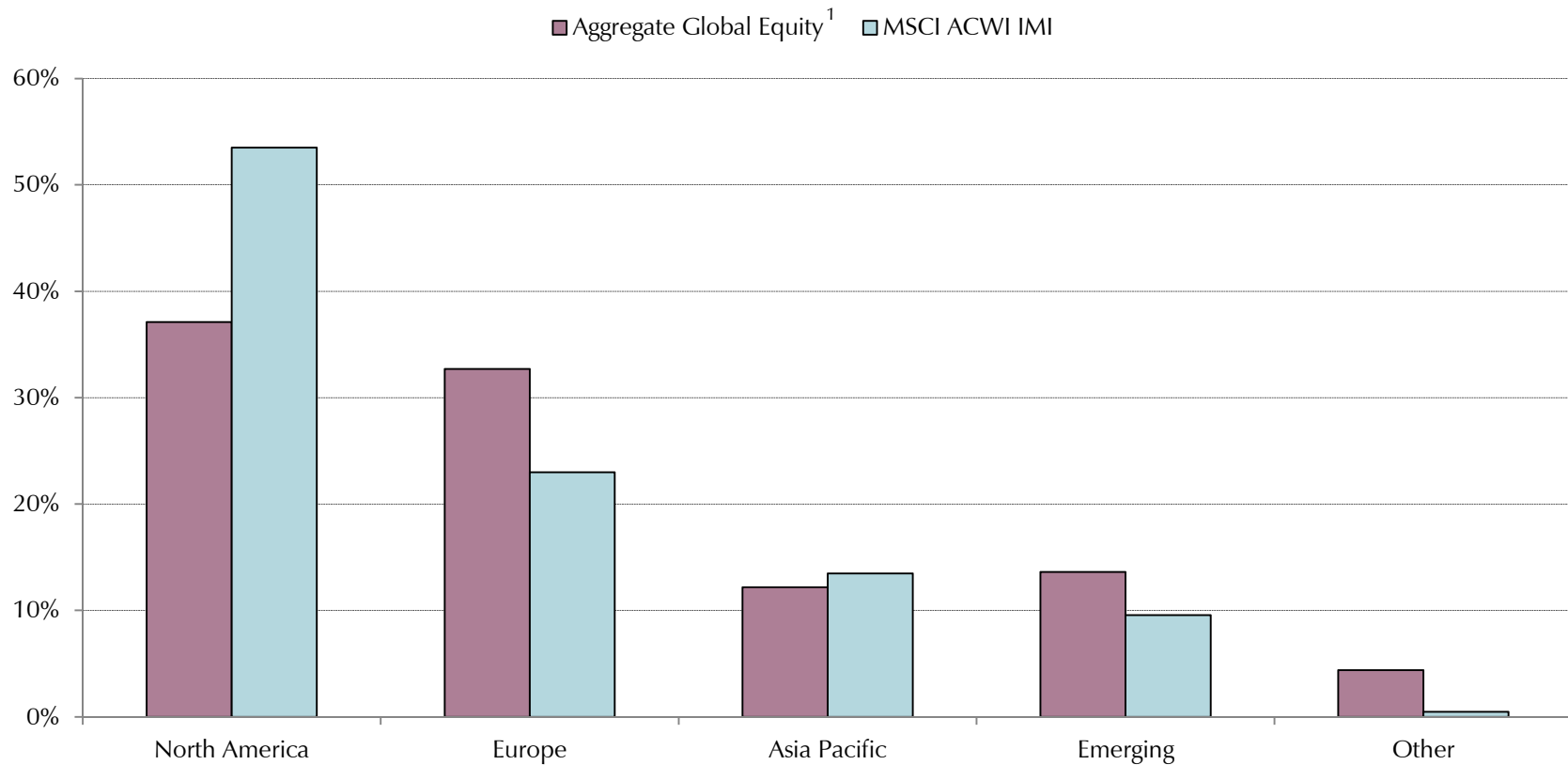
## San Jose Federated City Employees' Retirement System

## Global Equity Assets Country & Region Breakdown as of 6/30/15

	Aggregate Global Equity <sup>1</sup> 6/30/15 (%)	MSCI ACWI IMI 6/30/15 (%)		Aggregate Global Equity <sup>1</sup> 6/30/15 (%)	MSCI ACWI IMI 6/30/15 (%)
<b>North America</b>	<b>37.1</b>	<b>53.5</b>	<b>Emerging</b>	<b>13.6</b>	<b>9.5</b>
United States of America	36.4	50.3	India	3.8	0.9
<b>Europe</b>	<b>32.7</b>	<b>23.0</b>	Brazil	1.8	0.7
United Kingdom	12.4	6.6	Thailand	0.9	0.3
Switzerland	5.9	3.3	Mexico	1.0	0.5
Denmark	2.0	0.6	Indonesia	0.8	0.3
Netherlands	2.0	1.6	South Korea	1.9	1.6
France	2.7	2.9	South Africa	1.0	0.8
Germany	2.4	2.9	China	1.0	1.5
<b>Asia Pacific</b>	<b>12.2</b>	<b>13.5</b>	Egypt	0.2	0.0
Singapore	1.0	0.6	<b>Other</b>	<b>4.4</b>	<b>0.5</b>
Hong Kong	2.2	2.3	Bermuda	1.4	0.2
Australia	1.9	2.3			
Japan	7.0	8.2			

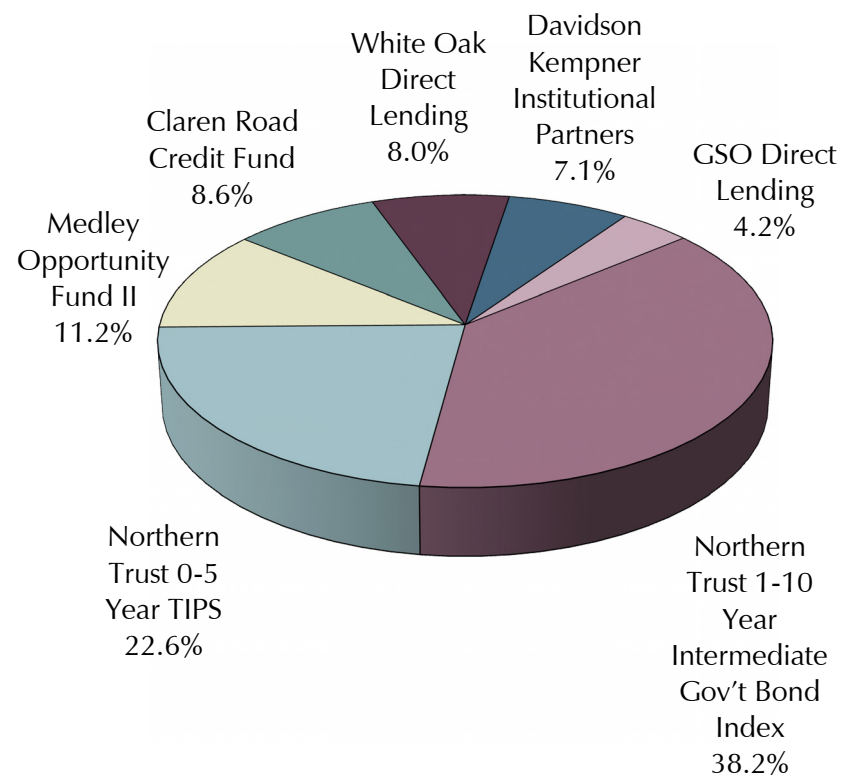
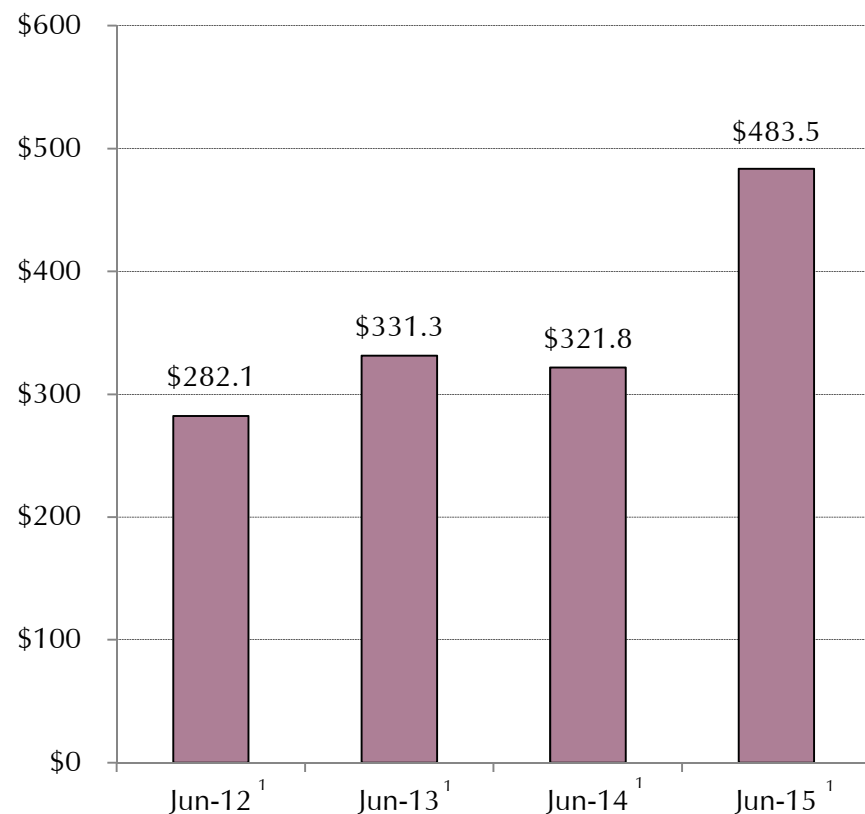
<sup>1</sup> Excludes Long-Short Equity.





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

Fixed Income Assets  
As of June 30, 2015



<sup>1</sup> Growth chart is representative of Public Fixed Income and Private Debt prior to 10/1/14, and all Fixed Income Assets thereafter. Reports prior to Q4 2014 only included Public Fixed Income in the charts, resulting in differences in total reported market values.

Risk: (forty-two months)	Aggregate Fixed Income <sup>1</sup> 6/30/15	Barclays Global Aggregate 6/30/15
Annualized Return (%)	3.0	-0.3
Standard Deviation (%)	1.9	3.9
Best Monthly Return (%)	1.3	2.1
Worst Monthly Return (%)	-0.9	-3.0
Beta	0.27	1.00
Correlation to Index	0.57	1.00
Correlation to Total Fund Return	0.50	NA
Sharpe Measure (risk-adjusted return) <sup>2</sup>	1.51	Neg.
Information Ratio	0.97	NA

<sup>1</sup> Excludes Global Credit prior to 10/1/14.

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

**Duration & Yield:**

Average Effective Duration (years)

Yield to Maturity (%)

Aggregate  
Fixed Income<sup>1</sup>  
6/30/15

Barclays Global  
Aggregate  
6/30/15

Aggregate  
Fixed Income<sup>1</sup>  
3/31/15

2.9

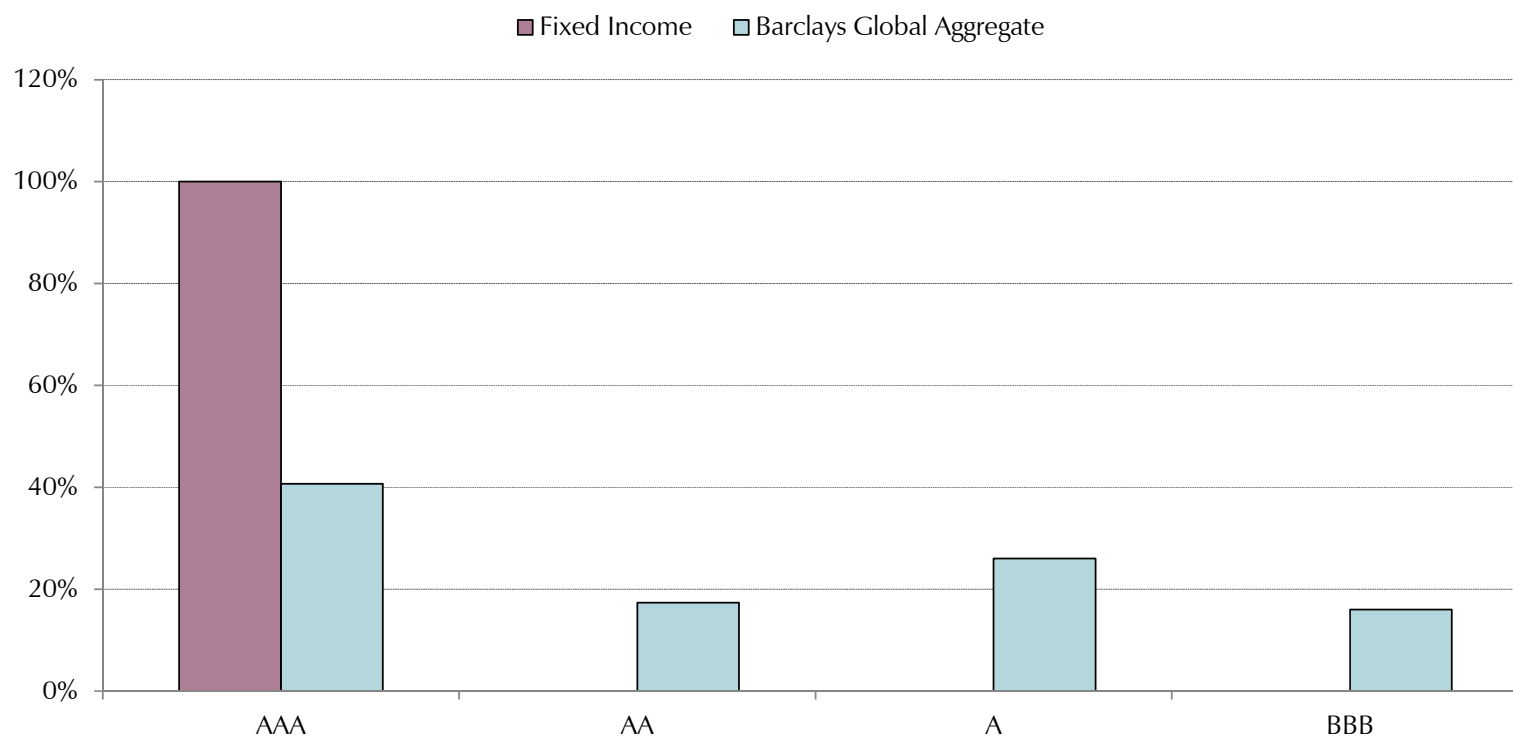
6.5

3.0

1.1

1.8

0.9



<sup>1</sup> Excludes Global Credit.

	Aggregate Fixed Income <sup>1</sup> 6/30/15	Barclays Global Aggregate 6/30/15	Aggregate Fixed Income <sup>1</sup> 3/31/15
<b>Market Allocation (%):</b>			
United States	100	38	100
Foreign (developed markets)	0	56	0
Foreign (emerging markets)	0	6	0
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	55	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	57	15	57
U.S. Treasury-TIPS	37	0	37
U.S. Agency	5	1	5
Mortgage Backed	0	12	0
Corporate	0	18	0
Bank Loans	0	0	0
Local & Provincial Government	0	3	0
Sovereign & Supranational	0	47	0
Commercial Mortgage Backed	0	1	0
Asset Backed	0	0	0
Cash Equivalent	0	0	0
Other	0	3	0

<sup>1</sup> Excludes Global Credit.



**Portfolio Reviews  
As of June 30, 2015**

## Global Equity Portfolio Reviews As of June 30, 2015

## San Jose Federated City Employees' Retirement System

## Artisan Global Value Portfolio Detail as of 6/30/15

**Mandate:** Global Equities  
**Active/Passive:** Active  
**Market Value:** \$171.8 million  
**Portfolio Manager:** N. David Samra  
 Daniel J. 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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	3 YR	Since 3/1/11
<b>Artisan Global Value</b>	<b>0.9</b>	<b>1.2</b>	<b>17.5</b>	<b>13.6</b>
<b>Net of Fees</b>	<b>0.7</b>	<b>0.6</b>	<b>16.9</b>	<b>12.9</b>
MSCI ACWI Value	0.3	-3.4	11.8	5.8
Peer Global Equity	0.9	3.2	15.5	9.9
Peer Ranking (percentile)	51	69	27	5

Risk: (fifty-two months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Artisan Global Value</b>	<b>12.7%</b>	<b>0.82</b>	<b>1.06</b>	<b>1.65</b>	<b>0.94</b>
MSCI ACWI Value	13.8	1.00	0.42	NA	1.00

	6/30/15 Artisan Global Value	MSCI ACWI Value	3/31/15 Artisan Global Value	MSCI ACWI Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	85.3	89.2	88.2	88.0
Median Market Cap. (US\$ billion)	32.8	8.2	32.4	8.2
Large (% over US\$20 billion)	78	75	79	74
Medium (% US\$3 billion to US\$20 billion)	22	24	21	25
Small (% under US\$3 billion)	0	1	0	1

### Fundamental Structure:

Price-Earnings Ratio	16	15	17	16
Price-Book Value Ratio	2.3	1.5	2.5	1.6
Dividend Yield (%)	1.8	3.3	1.9	3.3
Historical Earnings Growth Rate (%)	8	4	6	6
Projected Earnings Growth Rate (%)	10	6	13	6

### Sector Allocation (%):

Information Technology	29	9	31	8
Financials	39	31	35	31
Consumer Staples	8	8	8	8
Industrials	8	8	8	8
Health Care	8	9	10	9
Consumer Discretionary	4	7	4	7
Telecommunication Services	0	5	0	6
Utilities	0	5	0	6
Materials	0	6	0	6
Energy	3	11	4	11

### Diversification:

Number of Holdings	45	1,318	43	1,334
% in 5 largest holdings	22	8	22	8
% in 10 largest holdings	40	14	39	14

### Region Allocation (%):

North America	52	53	52	53
Europe	38	23	38	24
Asia Pacific	1	13	1	13
Emerging	5	10	5	10
Other	4	0	3	0

### Largest Five Holdings:

		Industry
Oracle	5.4	Software & Services
Royal Bank of Scotland	4.6	Banks
Bank of New York Mellon	4.6	Diversified Financials
Citigroup	4.0	Banks
Arch Capital	3.6	Insurance

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



## San Jose Federated City Employees' Retirement System

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Passive

**Market Value:** \$111.0 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

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

**Account Type:** Commingled

	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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 11/1/12
<b>Northern Trust MSCI EAFE Index-NL</b>	<b>0.8</b>	<b>-4.0</b>	<b>10.8</b>
<b>Net of Fees</b>	<b>0.8</b>	<b>-4.0</b>	<b>10.7</b>
MSCI EAFE	0.6	-4.2	10.4

## Northern Trust MSCI EAFE Index-NL Portfolio Detail as of 6/30/15

	6/30/15		3/31/15	
	Northern Trust MSCI EAFE Index-NL	MSCI EAFE	Northern Trust MSCI EAFE Index-NL	MSCI EAFE
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	57.8	57.7	59.3	59.0
Median Market Cap. (US\$ billion)	8.9	9.1	8.9	9.1
Large (% over US\$20 billion)	67	67	68	68
Medium (% US\$3 billion to US\$20 billion)	32	32	32	32
Small (% under US\$3 billion)	1	1	1	1
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	18	18	19	19
Price-Book Value Ratio	1.8	1.8	1.7	1.9
Dividend Yield (%)	3.0	3.0	2.9	2.9
Historical Earnings Growth Rate (%)	7	7	7	7
Projected Earnings Growth Rate (%)	9	9	9	9
<b>Sector Allocation (%):</b>				
Materials	7	7	7	7
Health Care	11	11	12	11
Consumer Staples	11	11	11	11
Utilities	4	4	4	4
Consumer Discretionary	13	13	13	13
Telecommunication Services	5	5	5	5
Industrials	13	13	13	13
Information Technology	5	5	5	5
Energy	5	5	5	5
Financials	26	26	26	26
<b>Diversification:</b>				
Number of Holdings	938	908	935	910
% in 5 largest holdings	8	8	8	8
% in 10 largest holdings	12	12	12	12
<b>Region Allocation (%):</b>				
North America	0	0	0	0
Europe	65	65	65	65
Asia Pacific	35	35	34	34
Emerging	0	0	0	0
Other	1	1	1	1
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Nestle	1.8	Food, Beverage & Tobacco		
Novartis	1.8	Pharmaceuticals & Biotech.		
Roche	1.5	Pharmaceuticals & Biotech.		
Toyota Motor	1.4	Automobiles & Components		
HSBC	1.3	Banks		

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



## San Jose Federated City Employees' Retirement System

## Vontobel Emerging Markets Equity Portfolio Detail as of 6/30/15

**Mandate:** International Equities,  
Emerging Markets

**Active/Passive:** Active

**Market Value:** \$72.5 million

**Portfolio Manager:** Rajiv Jain

**Location:** New York, New York

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

**Account Type:** Commingled

	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 (%):	2Q15	Fiscal YR <sup>1</sup> 1 YR	Since 7/1/13
<b>Vontobel Emerging Markets Equity</b>	<b>-0.9</b>	<b>-2.5</b>	<b>3.5</b>
<b>Net of Fees</b>	<b>-1.1</b>	<b>-3.3</b>	<b>2.6</b>
MSCI Emerging Markets	0.7	-5.1	4.1
Peer Emerging Markets	1.1	-5.7	4.2
Peer Ranking (percentile)	83	30	62

	6/30/15		3/31/15	
	Vontobel Emerging Markets	MSCI Emerging Markets	Vontobel Emerging Markets	MSCI Emerging Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	44.4	39.7	41.9	40.1
Median Market Cap. (US\$ billion)	19.2	5.0	16.9	4.8
Large (% over US\$20 billion)	67	44	70	45
Medium (% US\$3 billion to US\$20 billion)	32	49	29	48
Small (% under US\$3 billion)	1	7	1	7

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	24	15	24	15
Price-Book Value Ratio	4.7	1.6	5.4	1.7
Dividend Yield (%)	2.2	2.7	2.3	2.6
Historical Earnings Growth Rate (%)	20	10	20	11
Projected Earnings Growth Rate (%)	15	13	16	13

<b>Sector Allocation (%):</b>				
Consumer Staples	34	8	33	8
Health Care	3	2	3	2
Utilities	3	3	3	3
Consumer Discretionary	8	9	9	9
Information Technology	17	18	15	19
Telecommunication Services	5	7	4	7
Financials	27	30	29	28
Materials	2	7	2	7
Industrials	0	7	1	7
Energy	1	8	1	8

<b>Diversification:</b>				
Number of Holdings	73	836	75	836
% in 5 largest holdings	23	12	22	13
% in 10 largest holdings	37	19	37	19

<b>Region Allocation (%):</b>				
Asia Pacific	52	59	53	59
Latin America	19	14	21	14
Europe/MidEast/Africa	5	17	5	17
Frontier	1	0	0	0
Other	22	10	21	10

<b>Largest Five Holdings:</b>		<b>Industry</b>
British American Tobacco	5.5	Food, Beverage & Tobacco
Housing Development Financial	5.4	Banks
HDFC Bank	4.5	Banks
AmBev	4.1	Food, Beverage & Tobacco
ITC	3.4	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 6/30/15

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$66.4 million  
**Portfolio Manager:** Brent D. Reeder  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled

	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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	3 YR	5 YR	Since 9/1/99
<b>Northern Trust Russell 3000 Index</b>	<b>0.2</b>	<b>7.4</b>	<b>17.8</b>	<b>17.6</b>	<b>5.6</b>
<b>Net of Fees</b>	<b>0.2</b>	<b>7.4</b>	<b>17.8</b>	<b>17.6</b>	<b>5.6</b>
Russell 3000	0.1	7.3	17.7	17.5	5.5

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Northern Trust Russell 3000 Index</b>	<b>14.6%</b>	<b>1.00</b>	<b>1.20</b>	<b>NA</b>	<b>1.00</b>
Russell 3000	14.6	1.00	1.20	NA	1.00

	6/30/15		3/31/15	
	Northern Trust Russell 3000 Index	Russell 3000	Northern Trust Russell 3000 Index	Russell 3000
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	103.6	103.2	103.8	103.5
Median Market Cap. (US\$ billion)	2.2	1.6	2.1	1.5
Large (% over US\$20 billion)	68	68	69	69
Medium (% US\$3 billion to US\$20 billion)	25	25	24	24
Small (% under US\$3 billion)	7	8	7	7

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	20	20	20	20
Price-Book Value Ratio	2.5	2.5	2.6	2.5
Dividend Yield (%)	1.9	1.9	1.9	1.9
Historical Earnings Growth Rate (%)	12	12	13	13
Projected Earnings Growth Rate (%)	11	11	11	11

<b>Sector Allocation (%):</b>				
Industrials	11	11	11	11
Consumer Discretionary	13	13	13	13
Materials	4	3	4	4
Consumer Staples	8	8	9	8
Utilities	3	3	3	3
Financials	18	18	18	18
Telecommunication Services	2	2	2	2
Energy	7	7	7	7
Information Technology	19	19	19	19
Health Care	15	15	14	15

<b>Diversification:</b>				
Number of Holdings	2,538	3,003	2,559	3,013
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	14	14	14	14

<b>Largest Ten Holdings:</b>		<b>Industry</b>
Apple	3.2	Technology Equipment
Microsoft	1.6	Software & Services
ExxonMobil	1.5	Energy
Johnson & Johnson	1.2	Pharmaceuticals & Biotech.
General Electric	1.2	Capital Goods
Wells Fargo & Company	1.1	Banks
Berkshire Hathaway	1.1	Diversified Financials
JP Morgan Chase	1.1	Banks
Procter & Gamble	0.9	Household Products
Pfizer	0.9	Pharmaceuticals & Biotech.

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



## San Jose Federated City Employees' Retirement System

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$31.9 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 (%):	2Q15	Fiscal YR/ 1 YR	Since 5/1/14
<b>Cove Street Small Cap Value</b>	<b>2.5</b>	<b>-0.9</b>	<b>5.4</b>
<b>Net of Fees</b>	<b>2.3</b>	<b>-1.6</b>	<b>4.8</b>
Russell 2000 Value	-1.2	0.8	5.0
Peer Small Cap Value	-0.2	3.2	6.8
Peer Ranking (percentile)	3	80	67

## Cove Street Small Cap Value Portfolio Detail as of 6/30/15

	6/30/15		3/31/15	
	Cove Street Small Cap Value	Russell 2000 Value	Cove Street Small Cap Value	Russell 2000 Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	1.4	1.7	1.3	1.8
Median Market Cap. (US\$ million)	570.6	697.1	675.0	645.6
Large (% over US\$20 billion)	0	0	0	0
Medium (% US\$3 billion to US\$20 billion)	10	12	11	17
Small (% under US\$3 billion)	90	88	89	83
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	32	18	26	19
Price-Book Value Ratio	1.9	1.6	1.5	1.8
Dividend Yield (%)	0.4	2.1	1.0	2.0
Historical Earnings Growth Rate (%)	-3	10	4	11
Projected Earnings Growth Rate (%)	13	10	11	11
<b>Sector Allocation (%):</b>				
Consumer Discretionary	34	11	32	12
Information Technology	20	10	21	10
Materials	5	4	6	4
Health Care	5	4	3	6
Energy	6	6	5	4
Consumer Staples	3	3	0	3
Telecommunication Services	0	1	0	1
Industrials	10	12	10	13
Utilities	0	6	0	7
Financials	18	42	23	41
<b>Diversification:</b>				
Number of Holdings	32	1,319	32	1,355
% in 5 largest holdings	26	2	28	2
% in 10 largest holdings	47	4	47	5
<b>Largest Ten Holdings:</b>				
		<b>Industry</b>		
Carrols Restaurant Group, Inc.	5.4	Consumer Services		
Belmond 'A'	5.4	Consumer Services		
ViaSat	5.2	Technology Equipment		
The Liberty Ventures Group	4.9	Retailing		
Heritage-Crystal Clean	4.8	Commercial Services		
Comverse	4.4	Software & Services		
Neustar	4.4	Software & Services		
Cherokee	4.2	Consumer Durables		
Forestar Group	4.2	Real Estate		
Approach Resources Inc.	3.5	Energy		

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



## San Jose Federated City Employees' Retirement System

## Northern Trust EAFE Small Cap-NL Portfolio Detail as of 6/30/15

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$24.9 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

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

**Account Type:** Commingled

	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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 11/1/12
<b>Northern Trust EAFE Small Cap-NL</b>	<b>4.3</b>	<b>-0.4</b>	<b>14.4</b>
<b>Net of Fees</b>	<b>4.3</b>	<b>-0.5</b>	<b>14.3</b>
MSCI EAFE Small Cap	4.3	-0.8	14.1

	6/30/15		3/31/15	
	Northern Trust EAFE Small Cap-NL	MSCI EAFE Small Cap	Northern Trust EAFE Small Cap-NL	MSCI EAFE Small Cap
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	2.3	2.4	2.3	2.3
Median Market Cap. (US\$ million)	975.7	983.6	909.3	913.2
Large (% over US\$20 billion)	0	0	0	0
Medium (% US\$3 billion to US\$20 billion)	28	28	27	27
Small (% under US\$3 billion)	72	72	73	73

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	18	18	18	18
Price-Book Value Ratio	1.5	1.5	1.5	1.5
Dividend Yield (%)	2.2	2.2	2.2	2.2
Historical Earnings Growth Rate (%)	11	11	11	11
Projected Earnings Growth Rate (%)	13	13	15	15

<b>Sector Allocation (%):</b>				
Industrials	23	23	22	22
Materials	9	9	9	9
Consumer Discretionary	18	18	18	18
Energy	2	2	2	2
Consumer Staples	6	6	6	6
Utilities	2	2	2	2
Financials	23	23	23	23
Information Technology	10	10	10	10
Health Care	7	7	7	7
Telecommunication Services	1	2	1	1

<b>Diversification:</b>				
Number of Holdings	2,168	2,159	2,189	2,180
% in 5 largest holdings	2	2	2	2
% in 10 largest holdings	3	3	3	3

<b>Region Allocation (%):</b>				
North America	0	0	0	0
Europe	56	57	56	56
Asia Pacific	42	42	42	42
Emerging	0	0	0	0
Other	1	1	2	2

<b>Largest Five Holdings:</b>		<b>Industry</b>
St. James's Place	0.4	Insurance
Provident Financial	0.3	Diversified Financials
Berkeley Group	0.3	Consumer Durables
DCC	0.3	Capital Goods
Smurfit Kappa Group	0.3	Materials

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





## San Jose Federated City Employees' Retirement System

## Aberdeen Frontier Markets Equity Portfolio Detail as of 6/30/15

**Mandate:** International Equities,  
Frontier Markets

**Active/Passive:** Active

**Market Value:** \$19.4 million

**Portfolio Manager:** Devan Kaloo

**Location:** London, United Kingdom

**Inception Date:** 12/1/2013

**Account Type:** Commingled

	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 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 (%):	2Q15	Fiscal YR/ 1 YR	Since 12/1/13
<b>Aberdeen Frontier Markets Equity</b>	<b>1.9</b>	<b>-8.0</b>	<b>-1.5</b>
<b>Net of Fees</b>	<b>1.5</b>	<b>-9.4</b>	<b>-3.0</b>
MSCI Frontier Markets	0.0	-13.9	3.6
MSCI Frontier Markets ex GCC	-0.7	-14.6	-4.3
Peer Frontier Markets	2.5	-7.0	3.3
Peer Ranking (percentile)	63	50	76

	6/30/15		3/31/15	
	Aberdeen Frontier Markets	MSCI Frontier Markets	Aberdeen Frontier Markets	MSCI Frontier Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	4.9	4.7	4.7	4.6
Median Market Cap. (US\$ billion)	2.4	1.5	2.3	1.4
Large (% over US\$20 billion)	5	0	4	0
Medium (% US\$3 billion to US\$20 billion)	46	49	43	51
Small (% under US\$3 billion)	49	51	52	49
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	18	12	19	12
Price-Book Value Ratio	3.7	1.7	3.9	1.6
Dividend Yield (%)	3.2	3.8	3.0	3.9
Historical Earnings Growth Rate (%)	11	10	12	9
Projected Earnings Growth Rate (%)	11	12	12	15
<b>Sector Allocation (%):</b>				
Consumer Staples	29	8	29	9
Industrials	9	3	10	4
Information Technology	5	0	5	0
Health Care	8	3	8	3
Consumer Discretionary	2	0	2	1
Telecommunication Services	12	14	12	16
Utilities	0	1	0	1
Materials	1	7	2	6
Energy	6	12	7	10
Financials	27	51	26	51
<b>Diversification:</b>				
Number of Holdings	45	124	42	127
% in 5 largest holdings	24	23	23	23
% in 10 largest holdings	42	33	42	34
<b>Region Allocation (%):</b>				
Asia	21	17	19	16
Europe & CIS	7	10	7	11
Americas	0	11	0	10
Africa	28	29	31	30
Middle East	7	32	7	32
Emerging	16	0	14	0
Other	22	0	22	0
<b>Largest Five Holdings:</b>				
John Keells Holdings	5.1	Capital Goods		
EPAM Systems	5.0	Software & Services		
MTN Group	5.0	Telecom Services		
Safaricom	4.8	Telecom Services		
Krka dd Novo Mesto	4.0	Pharmaceuticals & Biotech.		

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



## Long-Short Equity Portfolio Reviews As of June 30, 2015

**Mandate:** Hedge Fund, Event Driven  
**Market Value:** \$26.1 million  
**Portfolio Manager:** Team  
**Location:** New York, New York  
**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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 4/1/13
Senator Global Opportunity Offshore Fund <sup>2</sup>	1.4	9.0	12.5
HFRI Event Driven Index	1.3	-0.1	5.6

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

<sup>2</sup> Senator maintains a policy to 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.

## San Jose Federated City Employees' Retirement System

## Sandler Plus Offshore Fund Portfolio Detail as of 6/30/15

**Mandate:** Hedge Fund, Long/Short Equity

**Market Value:** \$23.7 million

**Portfolio Manager:** Team

**Location:** New York, New York

**Inception Date:** 5/1/2013

**Account Type:** Limited Partnership

**# of Investments:** 229

**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 (%):	2Q15	Fiscal YR/ 1 YR	Since 5/1/13
<b>Sandler Plus Offshore Fund</b>	<b>-2.6</b>	<b>16.7</b>	<b>8.1</b>
HFRI Equity Hedge (Long/Short Equity)	2.0	2.6	6.6

Regional Gross Exposure (%):	6/30/15	3/31/15	12/31/14	9/30/14
North America	191	303	294	284
Developed Asia	4	2	0	2
Developed Europe	19	19	17	12
Emerging Markets	1	1	0	0

Sector Gross Exposure (%):	6/30/15	3/31/15	12/31/14	9/30/14
Financials	27	36	42	22
Industrials	35	53	44	49
Information Technology	36	62	54	57
Consumer Discretionary	47	79	74	65
Utilities	1	0	0	1
Materials	14	9	9	17
Energy	10	22	19	23
Health Care	31	42	50	32
Consumer Staples	10	18	14	23
Telecom	3	4	6	8

Market Capitalization Gross Exposure (%):	6/30/15	3/31/15	12/31/14	9/30/14
Large	109	151	153	144
Medium	101	167	147	134
Small	5	6	11	21

Top 5 Holdings (%):	Long	Short
Facebook Inc	6	
ISHARES IBoxx HY Corp Bond		-5
Thomson Reuters		-5
Tupperware Brands		-3
ISHARES S&P MidCap 400 Growth	3	

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



## San Jose Federated City Employees' Retirement System

## Marshall Wace MW Eureka Portfolio Detail as of 6/30/15

**Mandate:** Hedge Fund, Long/Short Equity

**Market Value:** \$23.5 million

**Portfolio Manager:** Team

**Location:** London, United Kingdom

**Inception Date:** 4/1/2014

**Account Type:** Limited Partnership

**# of Investments:** 4,468

**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 (%):	2Q15	Fiscal YR <sup>1</sup> 1 YR	Since 4/1/14
<b>Marshall Wace MW Eureka</b>	<b>3.1</b>	<b>15.7</b>	<b>12.7</b>
HFRI Equity Hedge (Long/Short Equity)	2.0	2.6	3.8

Regional Gross Exposure (%):	6/30/15	3/31/15	12/31/14	9/30/14
North America	75	78	73	70
Developed Asia	50	52	61	55
Developed Europe	80	85	85	82
Emerging Markets	44	55	46	49

Sector Gross Exposure (%):	6/30/15	3/31/15	12/31/14	9/30/14
Financials	60	63	62	59
Industrials	29	34	34	28
Information Technology	22	26	28	30
Consumer Discretionary	40	41	40	31
Utilities	6	7	6	6
Materials	17	22	22	28
Energy	9	11	11	13
Health Care	28	28	25	12
Consumer Staples	18	19	20	17
Telecom	17	20	20	21

Market Capitalization Gross Exposure (%):	6/30/15	3/31/15	12/31/14
Large	28	29	21
Medium	206	228	230
Small	15	17	18

Top 5 Holdings (%):	Long	Short
Vodafone Group	2	
Zoetis Inc	2	
SABMiller plc	2	
Novartis AG-Reg	2	
Bayer AG-Reg	2	

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



## San Jose Federated City Employees' Retirement System

## Horizon Portfolio I Portfolio Detail as of 6/30/15

**Mandate:** Hedge Fund, Long/Short Equity

**Market Value:** \$23.5 million

**Portfolio Manager:** Team

**Location:** Tokyo, Japan

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

**Account Type:** Limited Partnership

**# of Investments:** 2,290

**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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 7/1/13
<b>Horizon Portfolio I</b>	<b>2.0</b>	<b>7.0</b>	<b>8.4</b>
HFRI Equity Hedge (Long/Short Equity)	2.0	2.6	7.4

Regional Gross Exposure (%):	6/30/15	3/31/15	12/31/14
North America	3	4	3
Developed Asia	138	131	152
Developed Europe	16	16	9
Emerging Markets	NA	NA	NA

Sector Gross Exposure (%):	6/30/15	3/31/15	12/31/14
Financials	30	25	24
Industrials	31	28	33
Information Technology	20	21	23
Consumer Discretionary	29	31	36
Utilities	3	4	2
Materials	14	12	15
Energy	7	8	6
Health Care	8	7	8
Consumer Staples	13	11	12
Telecom	3	2	2

Market Capitalization Gross Exposure (%):	6/30/15	3/31/15	12/31/14
Large	117	109	NA
Medium	32	32	NA
Small	8	10	NA

Top 5 Holdings (%):	Long	Short
Hotel & Resorts REITs	1	
Industrial REITs	1	
Diversified REITs	1	
Industrial REITs	1	
Diversified REITs	1	

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



## San Jose Federated City Employees' Retirement System

## Amici Offshore Portfolio Detail as of 6/30/15

**Mandate:** Hedge Fund, Long/Short Equity  
**Market Value:** \$21.3 million  
**Portfolio Manager:** Team  
**Location:** New York, New York  
**Inception Date:** 3/1/2013  
**Account Type:** Limited Partnership  
**# of Investments:** Not Provided

**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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 3/1/13
<b>Amici Offshore</b>	<b>-1.0</b>	<b>1.8</b>	<b>2.8</b>
HFRI Equity Hedge (Long/Short Equity)	2.0	2.6	6.9

Regional Gross Exposure (%):	3/31/15	12/31/14	9/30/14
North America	152	85	149
Developed Asia	6	6	13
Developed Europe	11	8	12
Emerging Markets	9	7	11

Sector Gross Exposure (%):	3/31/15	12/31/14	9/30/14
Financials	37	24	32
Industrials	20	10	24
Information Technology	20	20	27
Consumer Discretionary	35	18	33
Utilities	1	1	3
Materials	11	9	14
Energy	12	7	17
Health Care	22	14	18
Consumer Staples	2	3	5
Telecom	2	1	3

Market Capitalization Gross Exposure (%):	3/31/15	12/31/14	9/30/14
Large	79	44	44
Medium	77	49	49
Small	22	14	14

Top 5 Holdings (%):	Long	Short
United Therapeutics Corp	10	
Asbury Automotive Group Inc	6	
Assured Guaranty	6	
Vulcan Materials Co	6	
Liberty Ventures	6	

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



## Fixed Income Portfolio Reviews As of June 30, 2015



## Investment Grade Bonds Portfolio Review As of June 30, 2015

## San Jose Federated City Employees' Retirement System

**Mandate:** Investment Grade Bonds  
**Active/Passive:** Passive  
**Market Value:** \$184.9 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 10/1/2012  
**Account Type:** Commingled

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The Northern Trust 1-10 Year Intermediate Gov't 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 (%):	2Q15	Fiscal YR/ 1 YR	Since 10/1/12
<b>Northern Trust 1-10 Year Intermediate Gov't Bond Index</b>	<b>-0.4</b>	<b>1.7</b>	<b>0.7</b>
<b>Net of Fees</b>	<b>-0.4</b>	<b>1.7</b>	<b>0.7</b>
Barclays Intermediate Gov't Bond Index	-0.4	1.8	0.8

## Northern Trust 1-10 Year Intermediate Gov't Bond Index Portfolio Detail as of 6/30/15

	6/30/15		3/31/15	
	Northern Trust 1-10 Year Intermediate Gov't Bond Index	Barclays Intermediate Gov't Bond Index	Northern Trust 1-10 Year Intermediate Gov't Bond Index	Barclays Intermediate Gov't Bond Index
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	3.7	3.7	3.7	3.7
Yield to Maturity (%)	1.2	1.2	1.0	1.1
<b>Quality Structure (%):</b>				
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
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	91	92	91	91
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	8	8	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
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0

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



## Inflation Linked Bonds Portfolio Review As of June 30, 2015

## San Jose Federated City Employees' Retirement System

**Mandate:** TIPS  
**Active/Passive:** Passive  
**Market Value:** \$109.4 million  
**Portfolio Manager:** Team  
**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 (%):	2Q15	Fiscal YR/ 1 YR	Since 7/1/14
<b>Northern Trust 0-5 Year TIPS</b>	<b>0.6</b>	<b>-2.0</b>	<b>-2.0</b>
<b>Net of Fees</b>	<b>0.6</b>	<b>-2.0</b>	<b>-2.0</b>
Barclays U.S. TIPS 0-5 Years	0.6	-1.9	-1.9

## Northern Trust 0-5 Year TIPS Portfolio Detail as of 6/30/15

	6/30/15		3/31/15	
	Northern Trust 0-5 Year TIPS	Barclays U.S. TIPS 0-5 Years	Northern Trust 0-5 Year TIPS	Barclays U.S. TIPS 0-5 Years
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	1.7	1.5	1.8	1.5
Yield to Maturity (%) <sup>1</sup>	0.8	0.9	0.8	0.5
<b>Quality Structure (%):</b>				
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
<b>Sector Allocation (%):</b>				
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
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
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 June 30, 2015

## Long-Short Credit Portfolio Reviews As of June 30, 2015

## San Jose Federated City Employees' Retirement System

## Claren Road Credit Fund Portfolio Detail as of 6/30/15

**Mandate:** Hedge Fund, Relative Value

**Market Value:** \$41.8 million

**Portfolio Manager:** Team

**Location:** New York, New York

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

**Account Type:** Limited Partnership

**# of Investments:** 790

**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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 7/1/13
<b>Claren Road Credit Fund</b>	<b>-6.0</b>	<b>-16.9</b>	<b>-8.3</b>
HFRI RV Fixed Income-Corporate Index	0.1	-1.7	3.5

Regional Gross Exposure (%):	6/30/15	3/31/15	12/31/14	9/30/14
North America	139	135	93	121
Developed Asia	82	81	66	79
Developed Europe	104	95	99	181
Emerging Markets	65	71	61	76

Sector Gross Exposure (%):	6/30/15	3/31/15	12/31/14	9/30/14
Financials	58	62	46	79
Industrials	6	6	2	9
Information Technology	3	5	4	3
Consumer Discretionary	10	15	13	16
Utilities	7	6	4	5
Materials	24	24	18	17
Energy	30	30	17	9
Health Care	1	6	2	3
Consumer Staples	7	9	10	8
Telecom	14	12	7	14
U.S. Government (including agency)	29	27	20	26
Developed Sovereign	108	104	107	122
Emerging Sovereign	43	44	41	55
Mortgage Backed (non-Agency)	0	0	2	2
Commercial Mortgage Backed	0	0	0	0
Other Securitized Assets	1	2	2	1
Corporate Credit	49	30	24	87

Security Type (%):	6/30/15		3/31/15	
	Long Exposure	Short Exposure	Long Exposure	Short Exposure
Equities	14	-2	11	-2
Fixed Income	77	-53	83	-49
Derivative	7	-237	16	-219
Cash	0	0	0	0

Top 3 Holdings (%):	Long	Short
Japan (Government - Asia)		-65
United Kingdom (Government - Europe)		-13
Turkey (Government - Europe)		-12

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



**Mandate:** Hedge Fund, Event Driven  
**Market Value:** \$34.4 million  
**Portfolio Manager:** Team  
**Location:** New York, New York  
**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 (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 2/1/13
Davidson Kempner Institutional Partners, L.P. <sup>2</sup>	0.5	0.3	5.8
HFRI Event Driven Index	1.3	-0.1	5.8

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

<sup>2</sup> Davidson Kempner maintains a policy to 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.



Real Assets Portfolio Reviews  
As of June 30, 2015

**Natural Resources Portfolio Review**  
**As of June 30, 2015**

## San Jose Federated City Employees' Retirement System

## Rhumblin S&P Global Large MidCap Commodity & NR Portfolio Detail as of 6/30/15

**Mandate:** Natural Resources  
**Active/Passive:** Passive  
**Market Value:** \$110.9 million  
**Portfolio Manager:** Team  
**Location:** Boston, Massachusetts  
**Inception Date:** 6/1/2015  
**Account Type:** Separately Managed

**Fee Schedule:**  
 0.048% on all assets

**Liquidity Constraints:**  
 Daily

### Strategy:

This passive index fund seeks an investment return that approximates the performance of the S&P Global Large MidCap Commodities and Resources index. The index has equal exposure to three major natural resources industries: energy, materials, and agriculture. It generally holds over 75% in large capitalization companies and the balance in mid capitalization stocks, typically holding 220 to 260 securities. While the index invests in over thirty countries, the most exposure is in the United States, Canada, and the United Kingdom.

Performance (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 6/1/15
<b>Rhumblin S&amp;P Global Large MidCap Commodity &amp; NR<sup>2</sup></b>	<b>NA</b>	<b>NA</b>	<b>-5.2</b>
<b>Net of Fees</b>	<b>NA</b>	<b>NA</b>	<b>-5.2</b>
S&P Global Large MidCap Commodity and Resources	0.1	-19.7	-5.2
S&P Global Natural Resources	0.1	-17.6	-4.9

	6/30/15	
	Rhumblin S&P Global Large MidCap Commodity & NR	S&P Global Large MidCap Commodity and Resources
<b>Capitalization Structure:</b>		
Weighted Average Market Cap. (US\$ billion)	57.8	57.7
Median Market Cap. (US\$ billion)	7.4	7.4
Large (% over US\$20 billion)	64	64
Medium (% US\$3 billion to US\$20 billion)	31	32
Small (% under US\$3 billion)	4	4
<b>Fundamental Structure:</b>		
Price-Earnings Ratio	16	16
Price-Book Value Ratio	1.5	1.5
Dividend Yield (%)	3.3	3.3
Historical Earnings Growth Rate (%)	-1	-1
Projected Earnings Growth Rate (%)	4	4
<b>Sector Allocation (%):</b>		
Consumer Staples	9	9
Consumer Discretionary	0	0
Health Care	0	0
Industrials	0	0
Information Technology	0	0
Telecommunication Services	0	0
Utilities	0	0
Energy	34	34
Financials	0	0
Materials	58	58
<b>Diversification:</b>		
Number of Holdings	218	220
% in 5 largest holdings	26	26
% in 10 largest holdings	42	42
<b>Region Allocation (%):</b>		
North America	51	50
Europe	28	28
Asia Pacific	11	11
Emerging	10	10
Other	1	1
<b>Largest Five Holdings:</b>		
		<b>Industry</b>
Monsanto	7.0	Materials
ExxonMobil	5.7	Energy
Syngenta	5.2	Materials
BHP Billiton	4.4	Materials
Archer-Daniels	4.1	Food, Beverage & Tobacco

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

<sup>2</sup> Tracking error due to a cash position resulting from a delay in the ability to invest in certain markets.

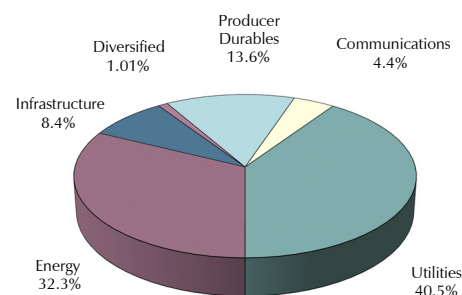


## Infrastructure Portfolio Review As of June 30, 2015

## San Jose Federated City Employees' Retirement System

## Rhumblin DJ Brookfield Global Infrastructure Portfolio Detail as of 6/30/15

**Mandate:** Infrastructure  
**Active/Passive:** Passive  
**Market Value:** \$135.5 million  
**Portfolio Manager:** Team  
**Location:** Boston, Massachusetts  
**Inception Date:** 6/1/2015  
**Account Type:** Separately Managed



**Fee Schedule:**  
 0.10% on all assets

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The Rhumblin 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.

Performance (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	Since 6/1/15
Rhumblin DJ Brookfield Global Infrastructure <sup>2</sup>	NA	NA	-4.0
Net of Fees	NA	NA	-4.0
DJ Brookfield Global Infrastructure Index	-2.6	-3.7	-4.1

Country Allocation:	Portfolio Allocation (%)
<b>United States</b>	<b>50.0</b>
<b>International Developed Markets</b>	<b>45.8</b>
Canada	12.6
United Kingdom	9.7
Hong Kong	2.4
Spain	5.0
Australia	4.0
Italy	3.7
Japan	2.5
France	2.1
Luxembourg	1.7
Singapore	0.4
Netherlands	0.4
New Zealand	0.4
Switzerland	0.4
Germany	0.4
Belgium	0.2
<b>Emerging Markets</b>	<b>4.3</b>
Mexico	0.7
China	3.3
Brazil	0.2

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

<sup>2</sup> Tracking error due to a cash position resulting from a delay in the ability to invest in certain markets.



## Commodities Portfolio Reviews As of June 30, 2015

**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$68.3 million  
**Portfolio Manager:** Team  
**Location:** Pasadena, California  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled

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

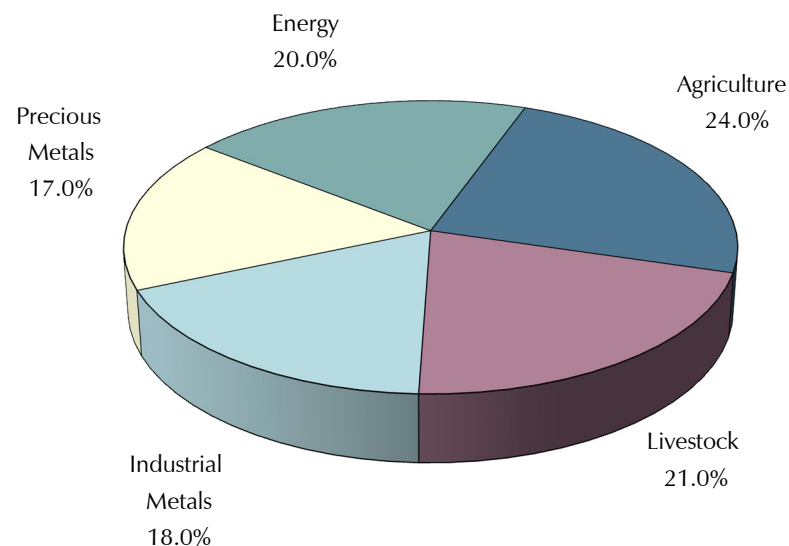
**Liquidity Constraints:**  
 Daily

**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.

Performance (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	3 YR	Since 4/1/11
<b>First Quadrant Balanced Risk Parity Commodity Fund</b>	<b>1.8</b>	<b>-25.1</b>	<b>-8.8</b>	<b>-10.3</b>
Custom Risk Parity Commodity Benchmark <sup>2</sup>	2.8	-20.1	-5.5	-7.4
Bloomberg Commodity Index	4.7	-23.7	-8.8	-11.1

Risk: (fifty-one months)	Standard Deviation	Beta	Sharpe Measure <sup>3</sup>	Info. Ratio	Correlation to Index
<b>First Quadrant Balanced Risk Parity Commodity Fund</b>	<b>11.9%</b>	<b>1.10</b>	<b>Neg.</b>	<b>Neg.</b>	<b>0.96</b>
Custom Risk Parity Commodity Benchmark <sup>2</sup>	10.7	1.00	Neg.	NA	1.00

**Current Allocation:**



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

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

<sup>3</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.



## San Jose Federated City Employees' Retirement System

## Credit Suisse Risk Parity Commodity Fund Portfolio Detail as of 6/30/15

**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$62.8 million  
**Portfolio Manager:** Christopher A. Burton  
**Location:** New York, New York  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled

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

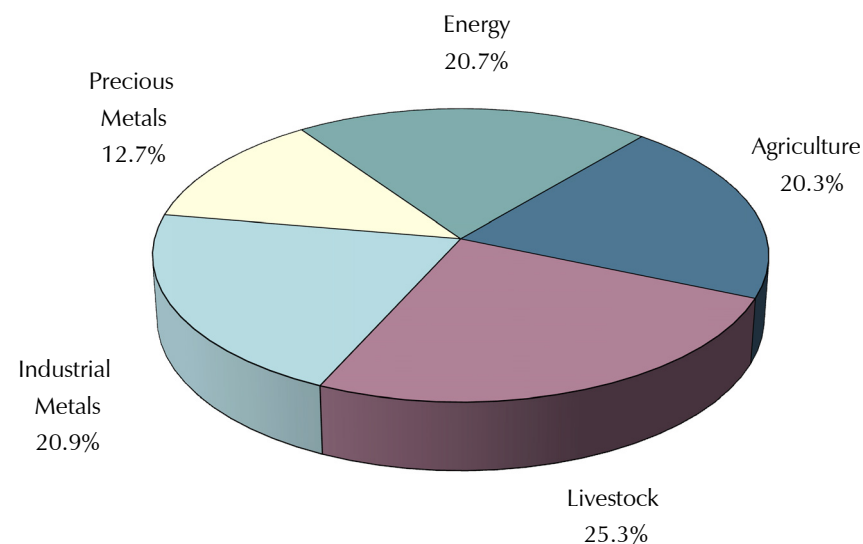
**Liquidity Constraints:**  
 Daily

**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.

Performance (%):	2Q15	Fiscal YR <sup>1</sup> / 1 YR	3 YR	Since 4/1/11
<b>Credit Suisse Risk Parity Commodity Fund</b>	<b>2.9</b>	<b>-19.7</b>	<b>-5.4</b>	<b>-7.3</b>
Custom Risk Parity Commodity Benchmark <sup>2</sup>	2.8	-20.1	-5.5	-7.4
Bloomberg Commodity Index	4.7	-23.7	-8.8	-11.1

Risk: (fifty-one months)	Standard Deviation	Beta	Sharpe Measure <sup>3</sup>	Info. Ratio	Correlation to Index
<b>Credit Suisse Risk Parity Commodity Fund</b>	<b>10.5%</b>	<b>0.98</b>	<b>Neg.</b>	<b>0.12</b>	<b>1.00</b>
Custom Risk Parity Commodity Benchmark <sup>2</sup>	10.7	1.00	Neg.	NA	1.00

**Current Allocation:**



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

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

<sup>3</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.





# **Global Macroeconomic Outlook**

## **June 2015**

Global Economic Outlook<sup>1</sup>**Projections for 2015 global economic growth continue to be revised downward.**

- The IMF estimates global growth for 2015 to be 3.3%, down 0.2% from their last forecast, with improvements in the U.S., Europe, and Japan and declines in several emerging economies including Russia, Brazil, and China.
- The decline in oil prices remains a key issue, with varied impact across economies. Lower prices should act as a stimulus to many oil importing countries, while detracting from growth for oil exporters.
- Improvements in the labor and housing markets, as well as accommodative financial conditions, have aided growth in the U.S., while in Europe growth is projected to pick-up, benefiting from the decline in the euro and falling energy prices.
- Recently several emerging market economies, including Russia, India, and China, decreased interest rates in light of slowing growth and benign inflation, partly due to declining energy prices.
- Excluding Japan, near-term global inflation is forecasted to trail the ten-year averages, with the recent decline in oil prices exerting further negative pressure on inflation.

	Real GDP (%)			Inflation (%)		
	IMF 2015 Forecast	IMF 2016 Forecast	Actual 10 Year Average	IMF 2015 Forecast	IMF 2016 Forecast	Actual 10 Year Average
World	3.3	3.8	3.9	3.2	3.3	4.3
U.S.	2.5	3.0	1.6	0.1	1.5	2.3
European Union	1.5	1.7	1.1	0.0	1.2	2.1
Japan	0.8	1.2	0.6	1.0	0.9	0.2
China	6.8	6.3	10.0	1.2	1.5	2.9
Emerging Markets (ex. China)	3.0	3.8	4.9	7.6	6.8	7.5

<sup>1</sup> Source: IMF. World Economic Outlook, April 2015 for inflation estimates and July 2015 for GDP estimates with the exception of emerging markets (ex. China) which is as of April 2015. "Actual 10 Year Average" represents data from 2005 to 2014.

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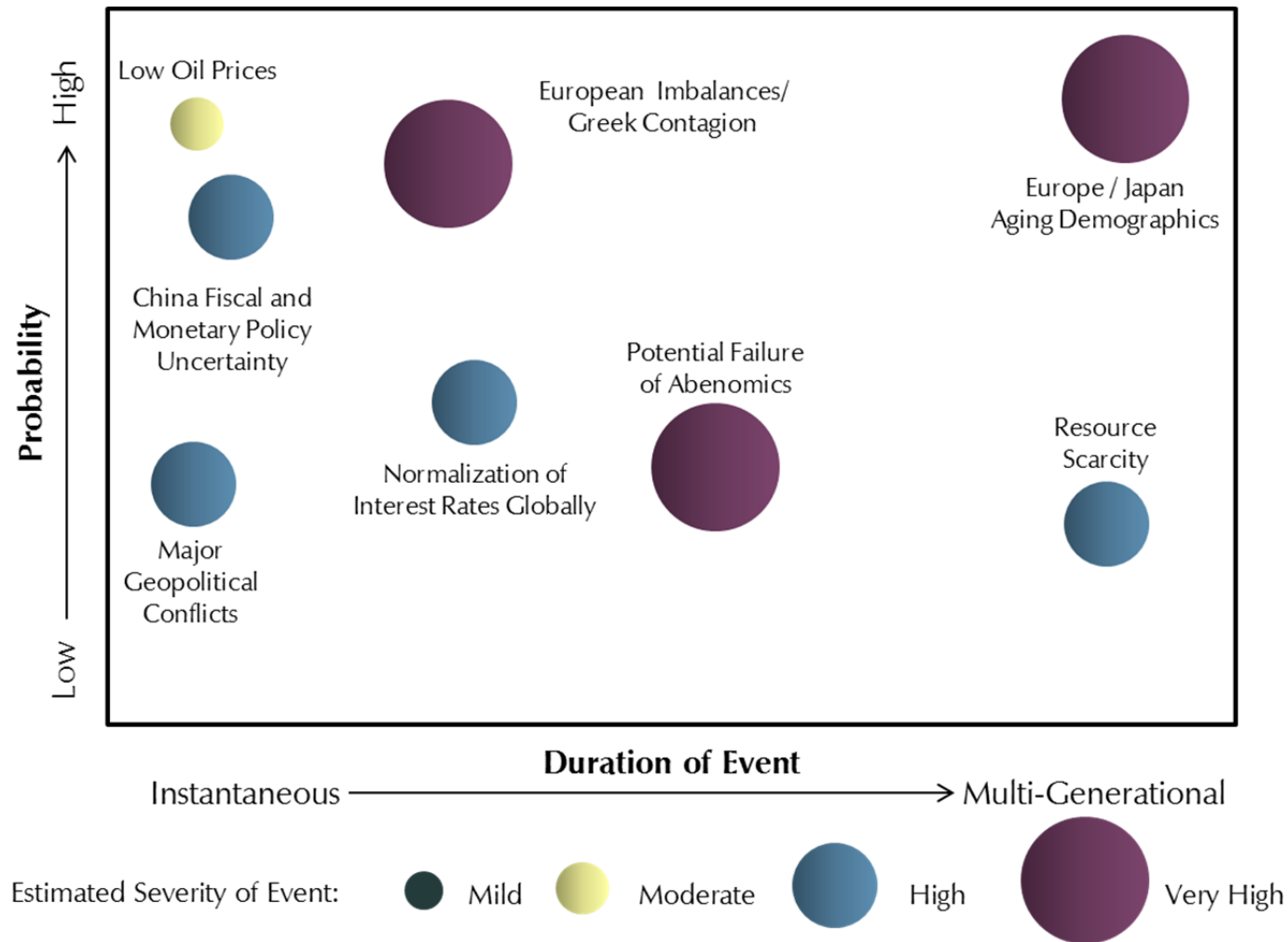
**Global Economic Outlook, Continued**

**In Europe, Japan, and China additional monetary stimulus is likely, while in the U.S. expectations are for a rate increase later this year or early next year.**

- At their June meeting, the Federal Reserve consensus was that conditions for a rate increase had not been met, with some concerns of a premature action. The Fed faces varied economic indicators as they weigh the timing and pace of raising rates, with unemployment improving and wage growth and inflation remaining low.
- The European Central Bank (ECB) continues their bond purchase program, while maintaining interest rates at close to 0%. Recently, prices and growth increased, but both remain weak.
- In the first quarter of 2015, growth in Japan's economy came in well ahead of projections at 3.9% on an annualized basis, driven by business spending. The Bank of Japan's monetary policy remains the most aggressive of central banks, including a further expansion of its program of asset purchases in the fourth quarter of 2014.
- China continues to ease its monetary policy in light of slowing growth, and more recently, its declining stock market. In its most recent action, China reduced rates for the fourth time since November 2014, with one-year loan rates declining from 5.10% to 4.85% and one-year deposit rates dropping from 2.25% to 2.0%. Additionally, China reduced bank reserve requirements. A slowdown in growth and uncertain fiscal and monetary policy remain key concerns.

**Several issues are of primary concern: 1) continued economic sluggishness and financial risk in Europe; 2) declining growth in China; 3) diminishing effectiveness of monetary policy globally; 4) divergent growth in emerging economies.**

### Macroeconomic Risk Matrix



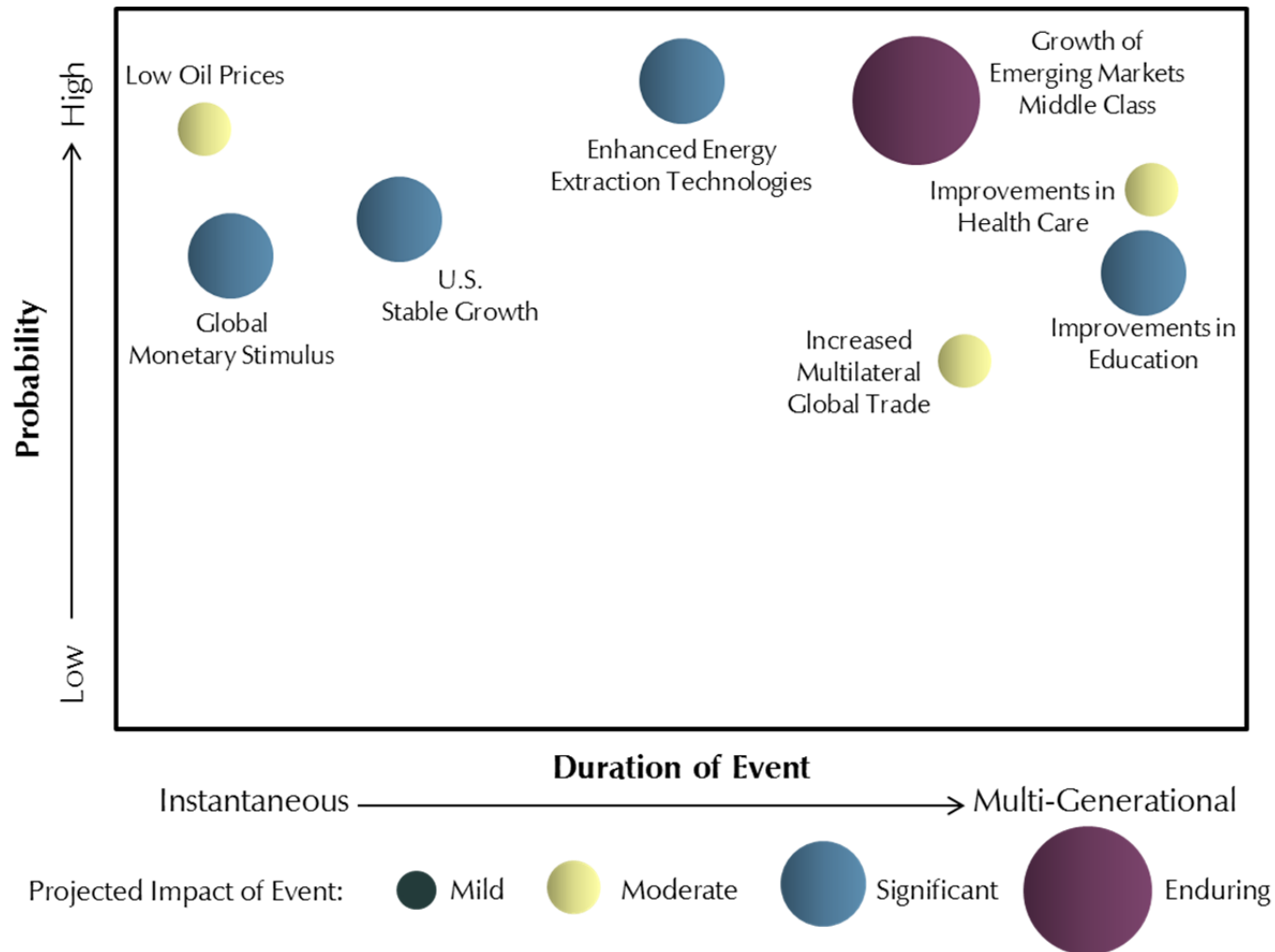
## Macroeconomic Risk Overviews

<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. The decline in prices will likely continue to hurt oil exploration and production companies, and companies that support the oil industry. The risk of increased geopolitical tensions also exists with depressed oil prices.
<b>European Imbalances/ Greek Contagion</b>	The crisis is rooted in structural issues in the Euro-zone related to the combination of a single currency combined with 17 fiscal authorities. The recent events in Greece related to their third bailout highlighted the continued tensions in Europe. Allowing countries to leave the Eurozone could set a dangerous precedent, especially if they ultimately begin to experience growth due to a depressed currency. Alternatively, providing debt forgiveness for some countries could lead to others looking for similar treatment.
<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 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>Major Geopolitical Conflicts</b>	Major world powers recently came to an agreement with Iran that exchanged sanctions relief for restrictions in their nuclear program. Israel has been vehemently opposed to the deal, creating a strain on relations with the U.S. The possibility also exists that Iran does not ultimately abide by the terms of the agreement. Other unresolved geopolitical issues remain, including the effect of ISIS, tensions between Russia and Ukraine, and the civil war in Syria.

## Macroeconomic Risk Overviews, Continued

<b>China Fiscal and Monetary Policy Uncertainty</b>	Much of China's recent growth was fueled by debt, particularly in the "shadow banking" sector. The leadership in China seeks to transition the country from a model of debt-fueled growth to a model of consumption-based growth. Recently, China implemented unprecedented measures in response to the decline in their equity markets. Going forward, similar measures in response to slowing growth, or to support stock prices, could prove disruptive and decrease confidence in China's government.
<b>Normalization of Interest Rates Globally</b>	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.
<b>Resource Scarcity</b>	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, certain commodity prices may skyrocket, hurting the living standards of many and increasing the risk of geopolitical conflicts.

### Positive Macroeconomic Trends Matrix



**Positive Macroeconomic Trends Overviews**

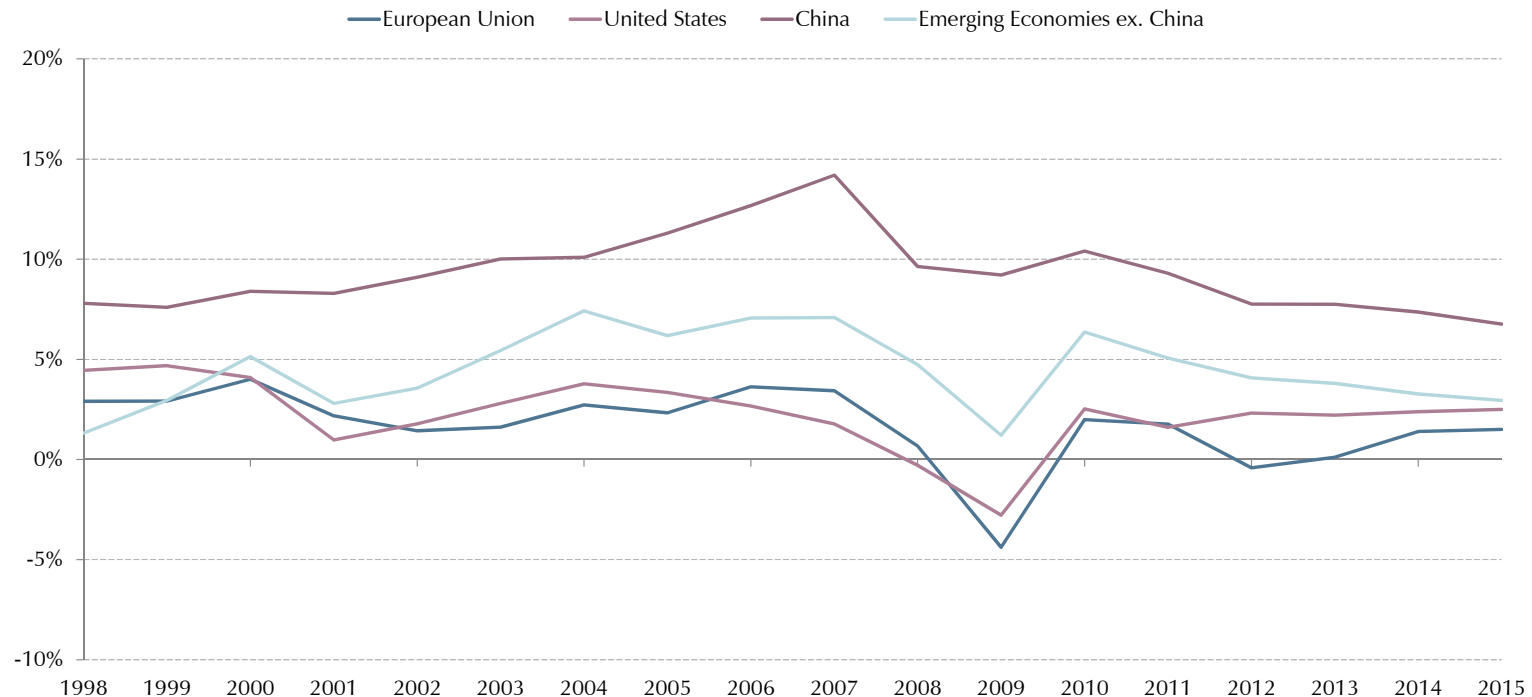
<b>Low Oil Prices</b>	Declining oil prices will likely have a positive impact on growth, particularly for importers like China, Japan, and India. Consumers should also benefit from falling oil prices in the form of lower prices for gasoline and heating oil.
<b>U.S. Stable Growth</b>	The U.S. economy 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, and increase 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 greater 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 drive 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**

<b>Enhanced Energy Extraction Technologies</b>	Hydraulic fracturing (i.e., fracking) technologies 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 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.
<b>Global Monetary Stimulus</b>	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 European Central Bank recently began its own program. In contrast, the U.S. ended its bond buying last year. Additionally, emerging market central banks including Russia, India, and China, reduced interest rates to attempt to stimulate slowing growth. If central banks continue to provide liquidity and keep interest rates low, this should stimulate growth.

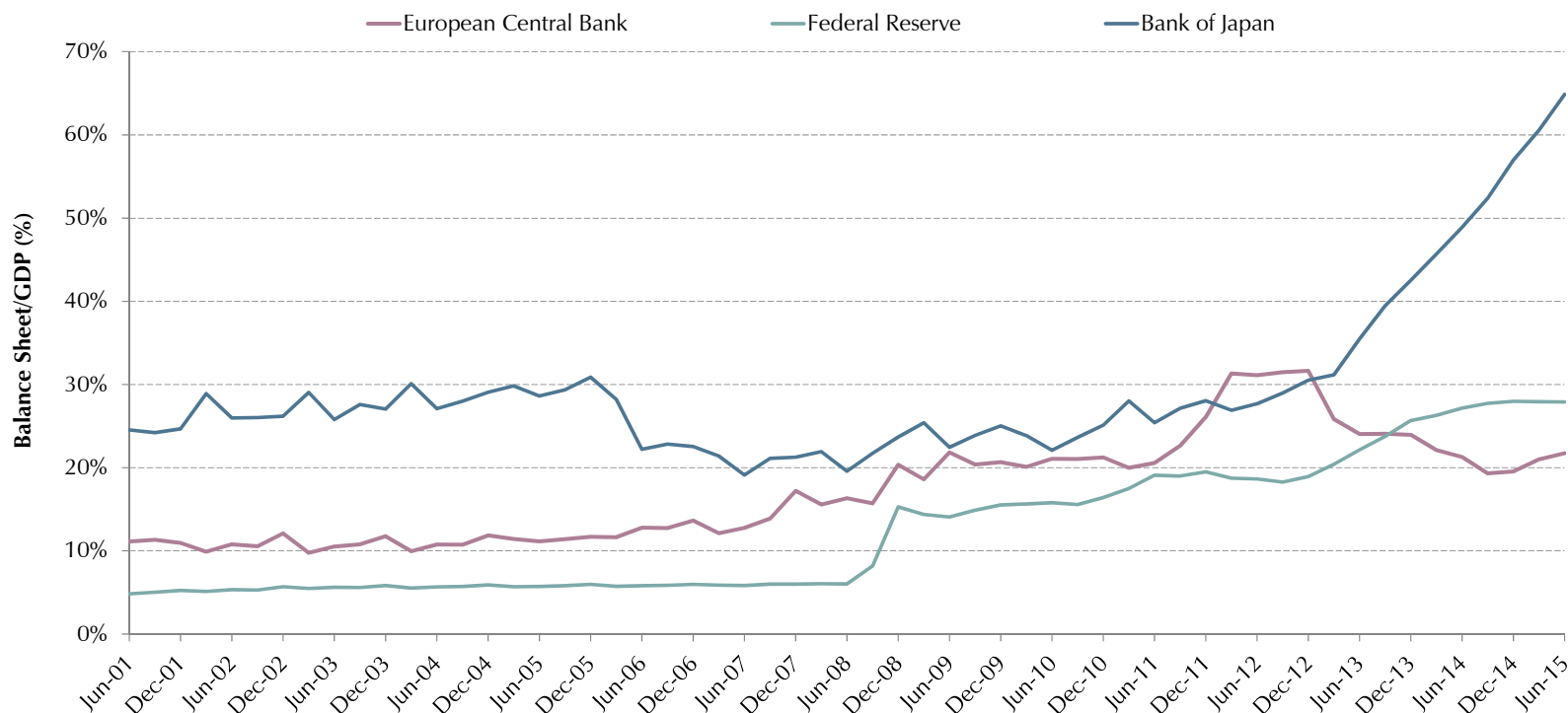
### Global Real Gross Domestic Product (GDP) Growth<sup>1</sup>



- Global growth remains lower than levels prior to the Global Financial Crisis for many countries.
- Emerging economies continue to grow more rapidly than developed economies, but results are varied, with commodity exporters generally experiencing lower growth. China's growth remains above other emerging economies, despite its recent decline.

<sup>1</sup> Source: IMF. World Economic Outlook, April 2015.

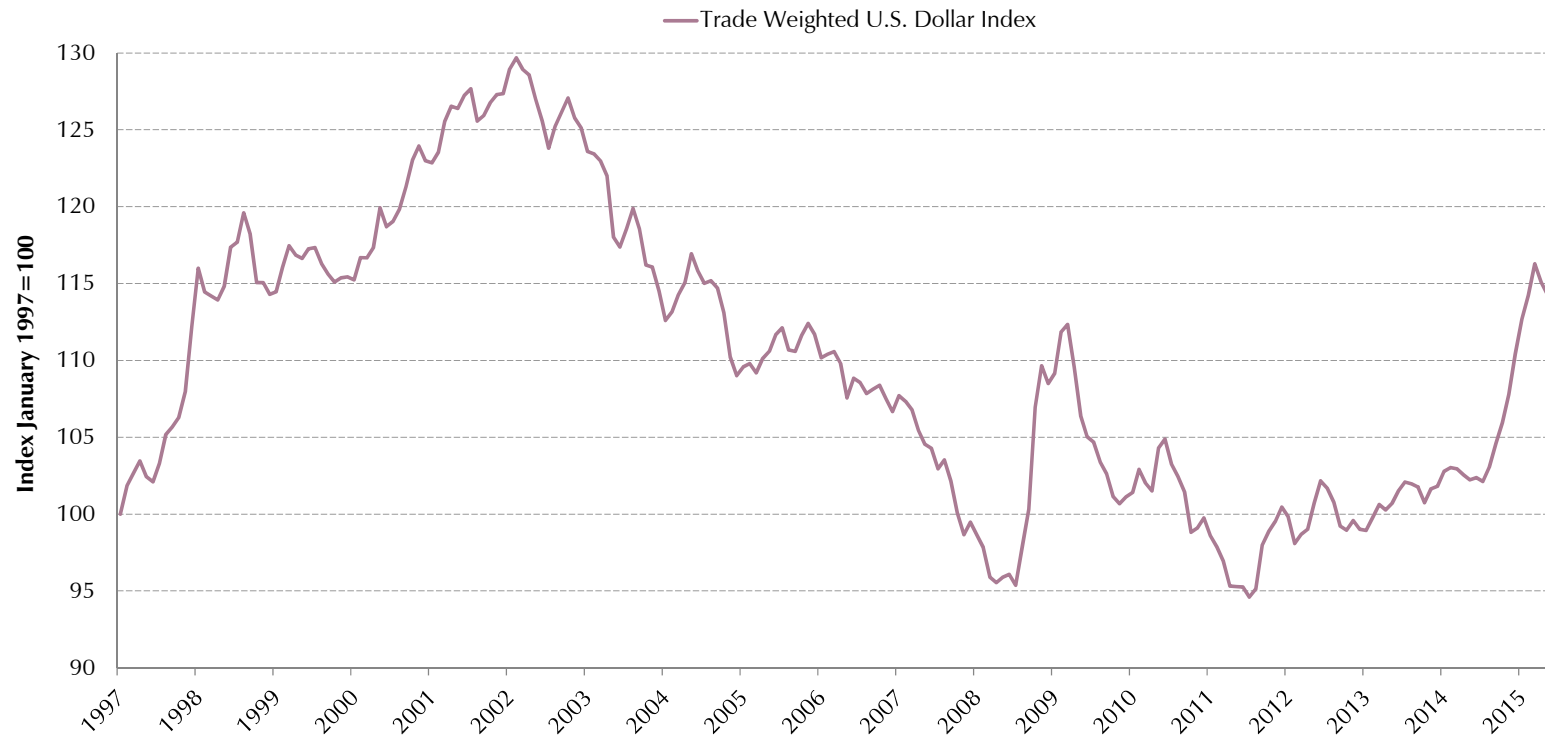
### Central Bank Balance Sheets as a Percentage of GDP<sup>1</sup>



- Japan and Europe continue to expand their balance sheets to stimulate growth, with recent signs of improvements in both economies.
- The U.S. ended its bond-buying program late last year, with the question remaining of what the Federal Reserve will do with maturing investments.

<sup>1</sup> Source: Bloomberg. IMF World Economic Outlook, April 2015. Balance sheet data is as of June 30, 2015. GDP data for 2014 and 2015 are IMF estimates.

### The U.S. Dollar versus Major Currency Values<sup>1</sup>



- After its strong recent rally, the U.S. dollar declined slightly against major currencies in the second quarter.
- Continued strength in the dollar should help domestic importers, while hurting exporters and consumption of commodities priced in dollars.

<sup>1</sup> Source: Federal Reserve Economic Data. Data is as of June 1, 2015.

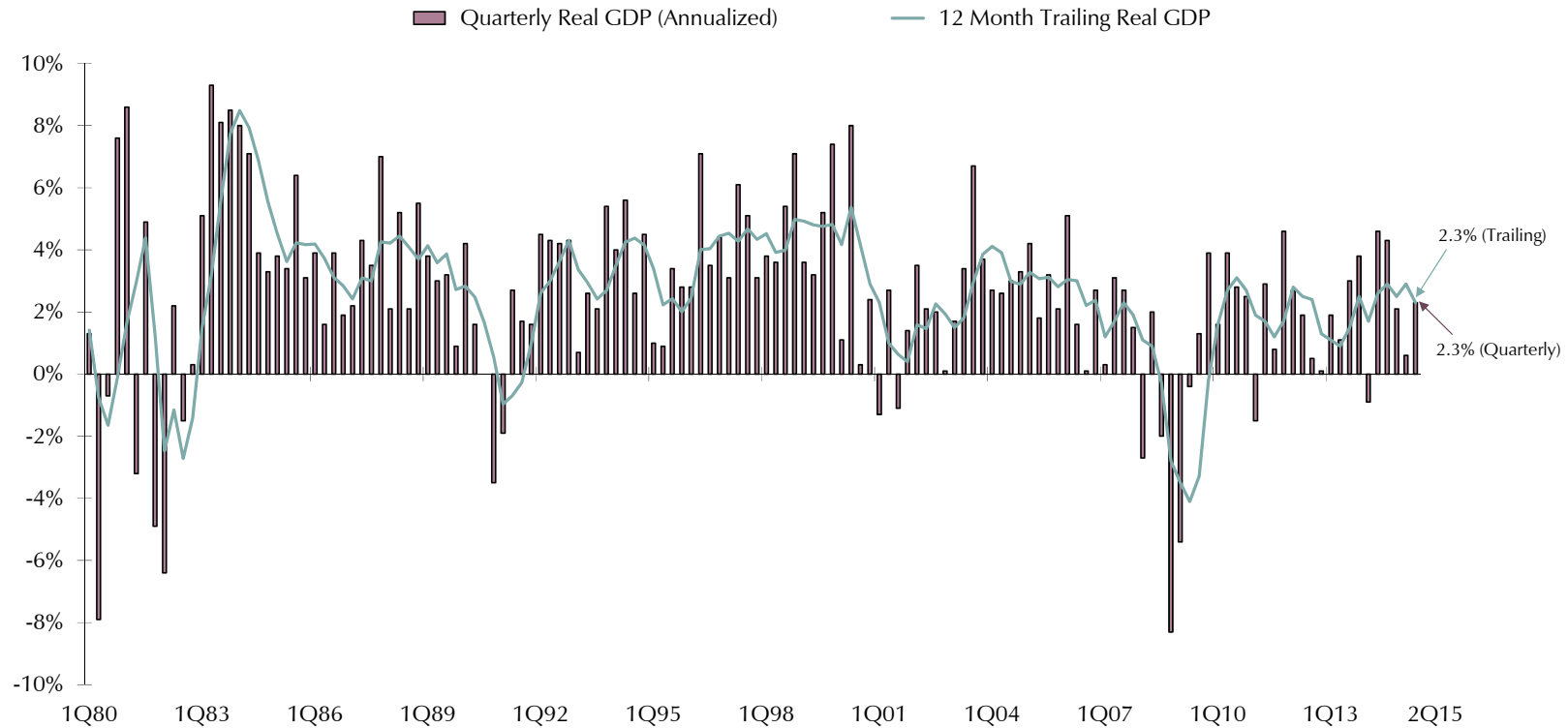
## Federal Funds Rate<sup>1</sup>



- At the Federal Reserve's most recent meeting, members acknowledged improvements in the U.S. economy, but were not ready to begin increasing interest rates.
- Uncertainty remains regarding the pace of rate increases, with the market expecting a trajectory lower than the central bank's estimates.

<sup>1</sup> Source: Bloomberg. Federal Reserve June Economic Projections. The FOMC Year-End Estimates are the median estimates of the forecasts of the federal funds rate by the 17 FOMC participants at the end of the specified calendar year or over the long run. Data is as of June 30, 2015 for market expectations that represents the fed funds future rate at the end of the specified calendar year.

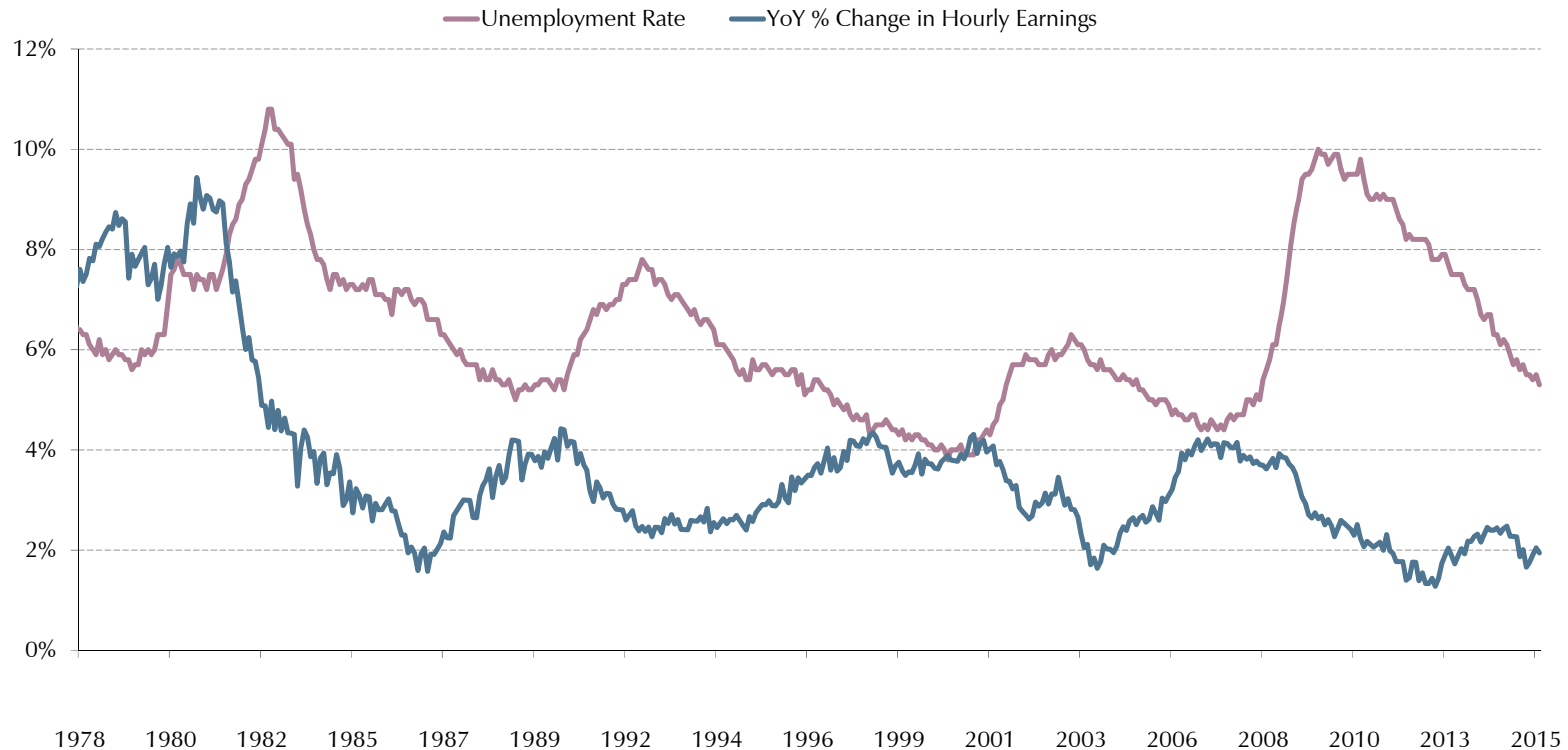
### U.S. Real Gross Domestic Product (GDP) Growth<sup>1</sup>



- U.S. GDP increased at an annual rate of 2.3% in the second quarter and the prior quarter's GDP was revised upward from -0.2% to +0.6%.
- Consumer spending and a rebound in exports contributed to growth for the quarter.

<sup>1</sup> Source: U.S. Bureau of Economic Analysis. Data is as of the second quarter of 2015.

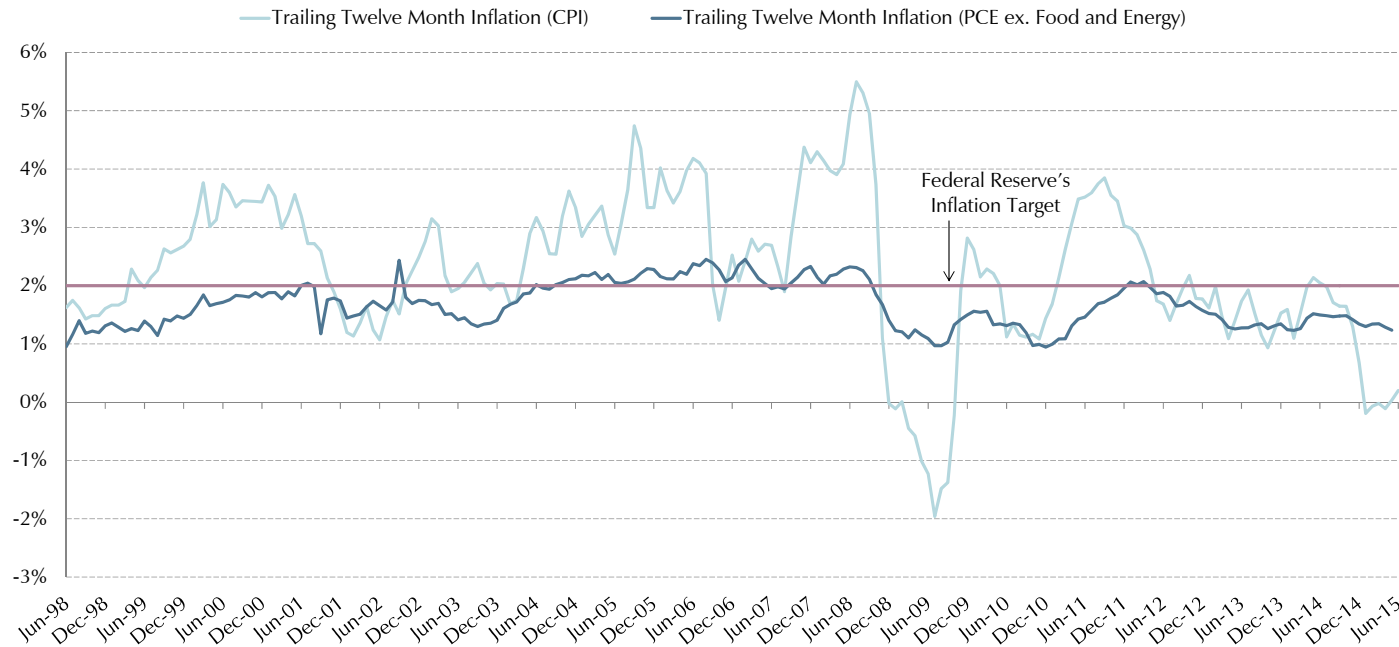
### U.S. Employment<sup>1</sup>



- In the second quarter, the U.S. unemployment rate continued its decline from its 10% peak of late 2009, finishing the quarter at 5.3%.
- The U.S. Federal Reserve has cited improvements in the labor market as it considers increasing interest rates.

<sup>1</sup> Source: Bureau of Labor Statistics. The year over year change in hourly earnings represents data for production and non-supervisory employees. Data is as of June 30, 2015.

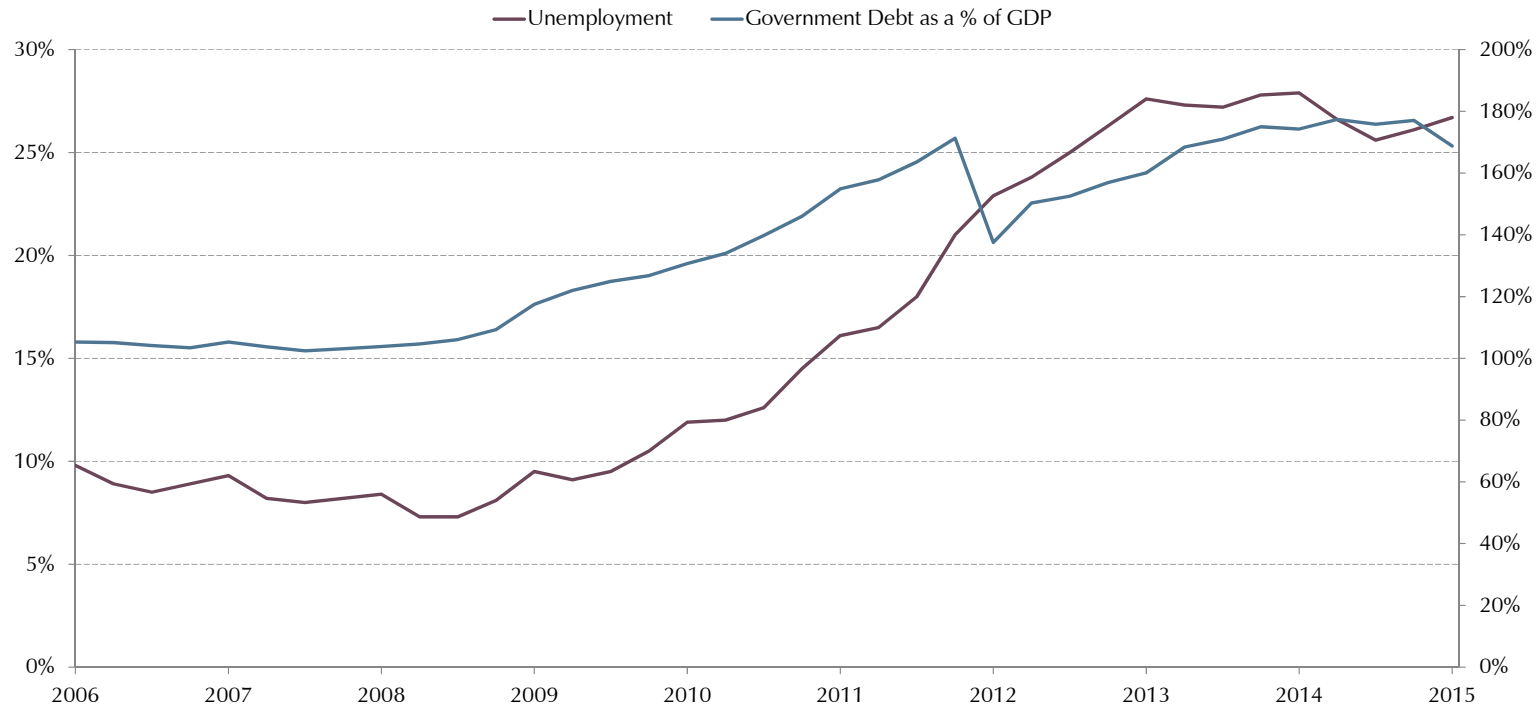
## U.S. Inflation<sup>1</sup>



- Despite improvements in the labor market, the Fed's preferred measure of inflation (PCE ex. food and energy) remains well below its 2% target, causing members to be hesitant in increasing interest rates.
- Including food and energy, prices remained unchanged from a year prior, with energy, particularly gasoline, showing a dramatic decline (-25%).

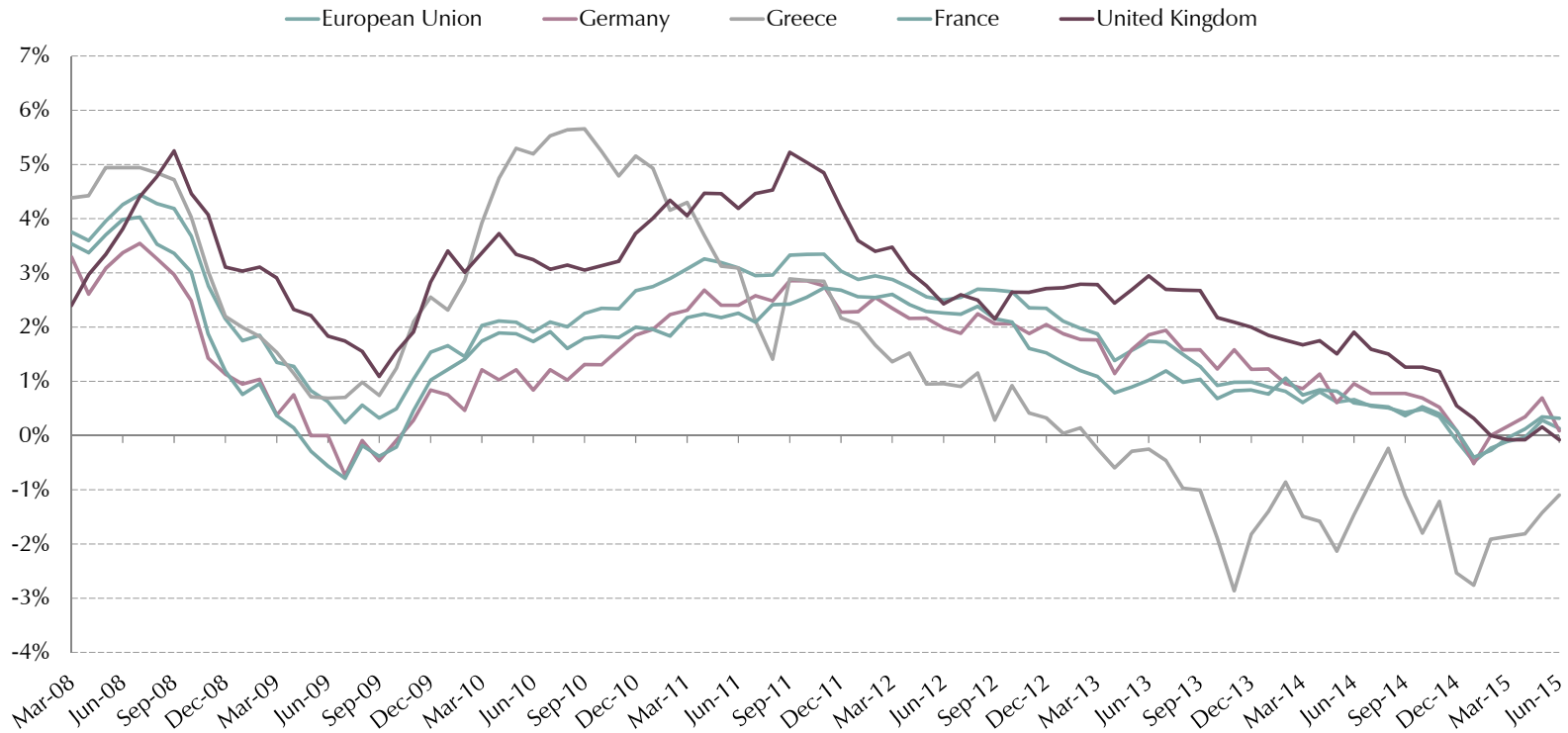
<sup>1</sup> Source: Bloomberg. Data for CPI is as of June 30, 2015 and as of May 31, 2015 for PCE.



Greece Economic Conditions<sup>1</sup>

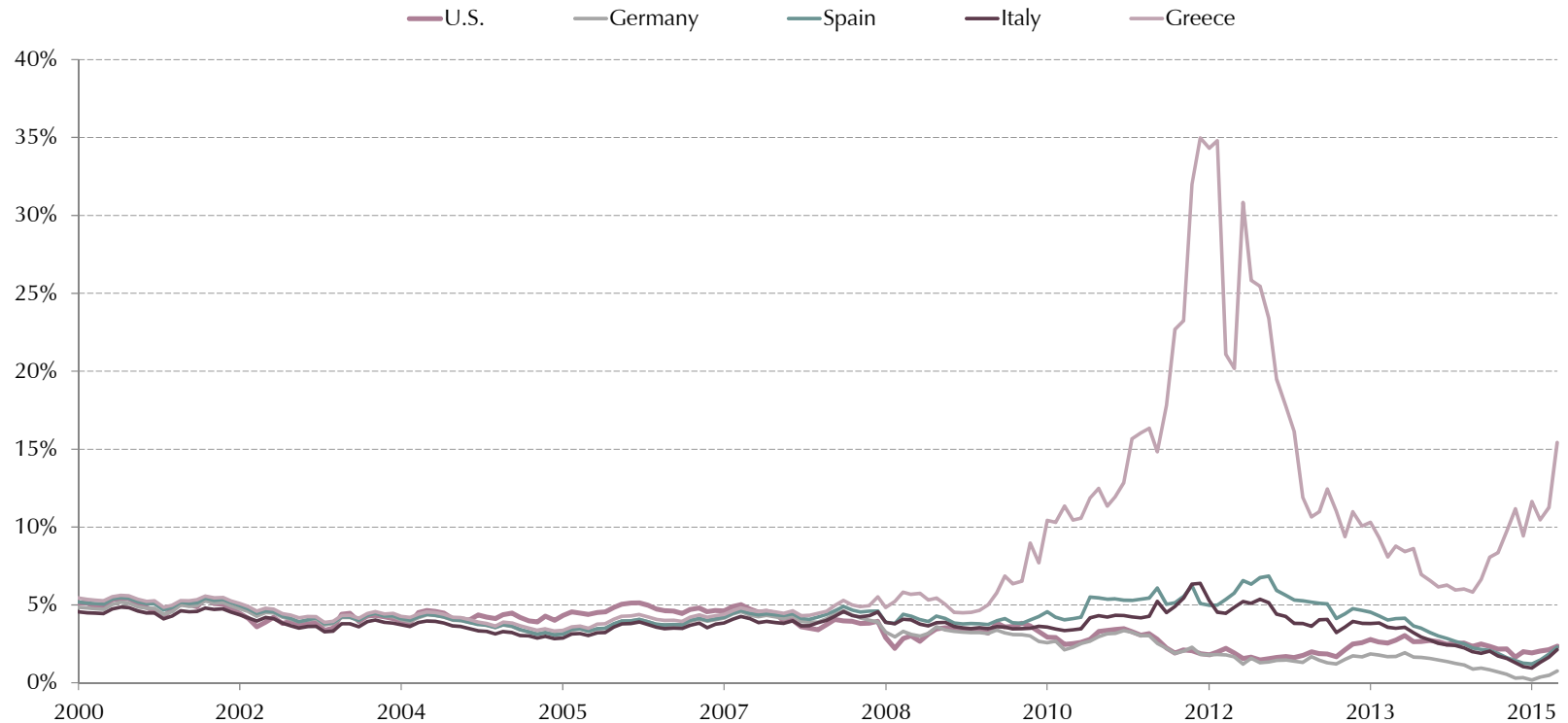
- Harsh austerity measures weigh heavily on Greece's economy, with unemployment over 25% and the debt burden increasing as growth has slowed.
- After holding a referendum where citizens voted against the conditions of a third bailout from the ECB, Greece subsequently agreed to even harsher terms that included pension and tax reforms.

<sup>1</sup> Source: Eurostat. Data is as of March 31, 2015.

European Inflation<sup>1</sup>

- As the European Central Bank continues their bond-buying program, prices increased 0.1% from a year prior.
- The ECB continues to maintain interest rates at close to 0%, as a further means of combating deflationary pressures.

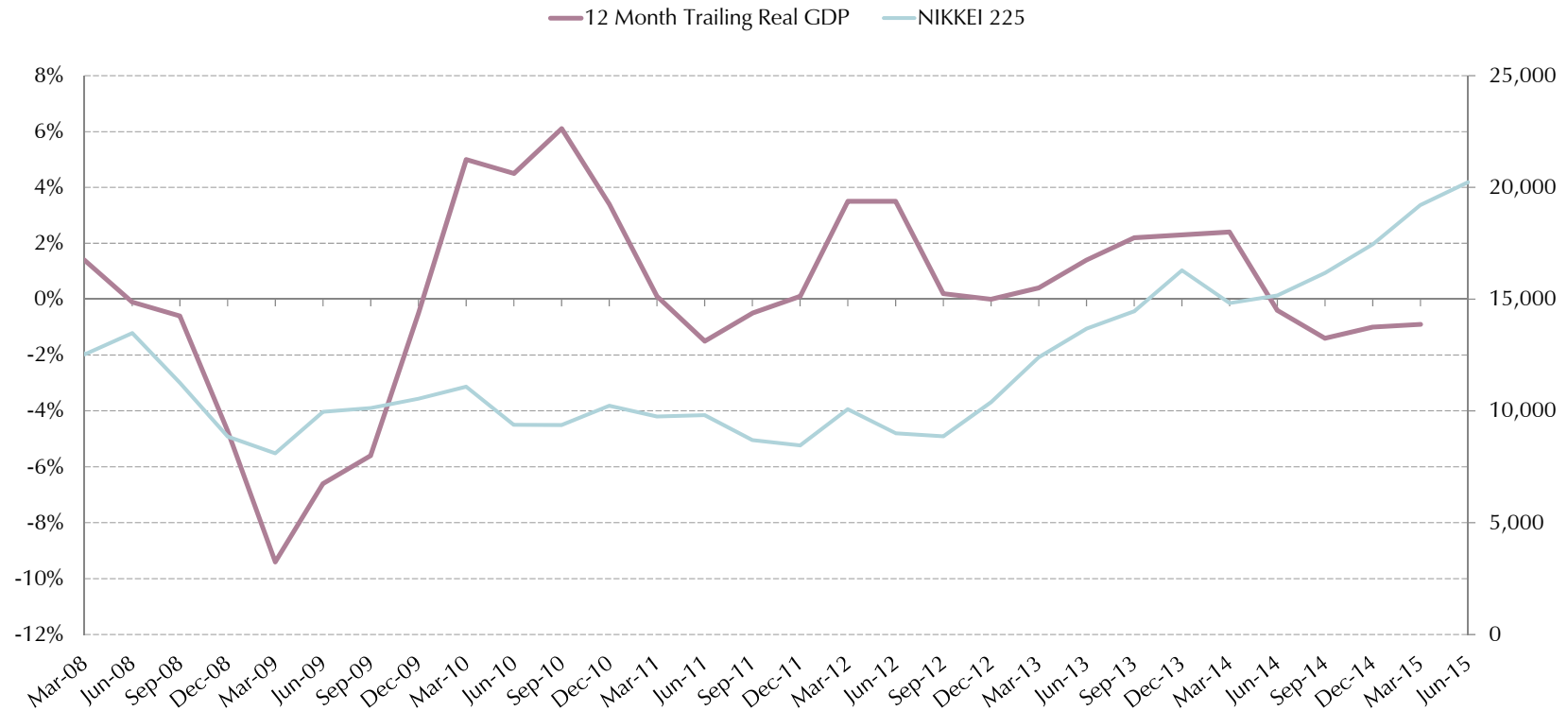
<sup>1</sup> Source: Eurostat. Data is as of June 30, 2015.

10-Year Government Bond Yields<sup>1</sup>

- Bond yields increased in the second quarter in light of improving economic conditions. The yield on the 10-year U.S. Treasury finished the quarter up 0.4%, to 2.4%, and yields in Germany increased 0.6%, to 0.8%.
- Bond yields in Greece increased to 15.4%, due to concerns over risks relating to a potential exit from the Eurozone.

<sup>1</sup> Source: Bloomberg. Data is as of June 30, 2015.

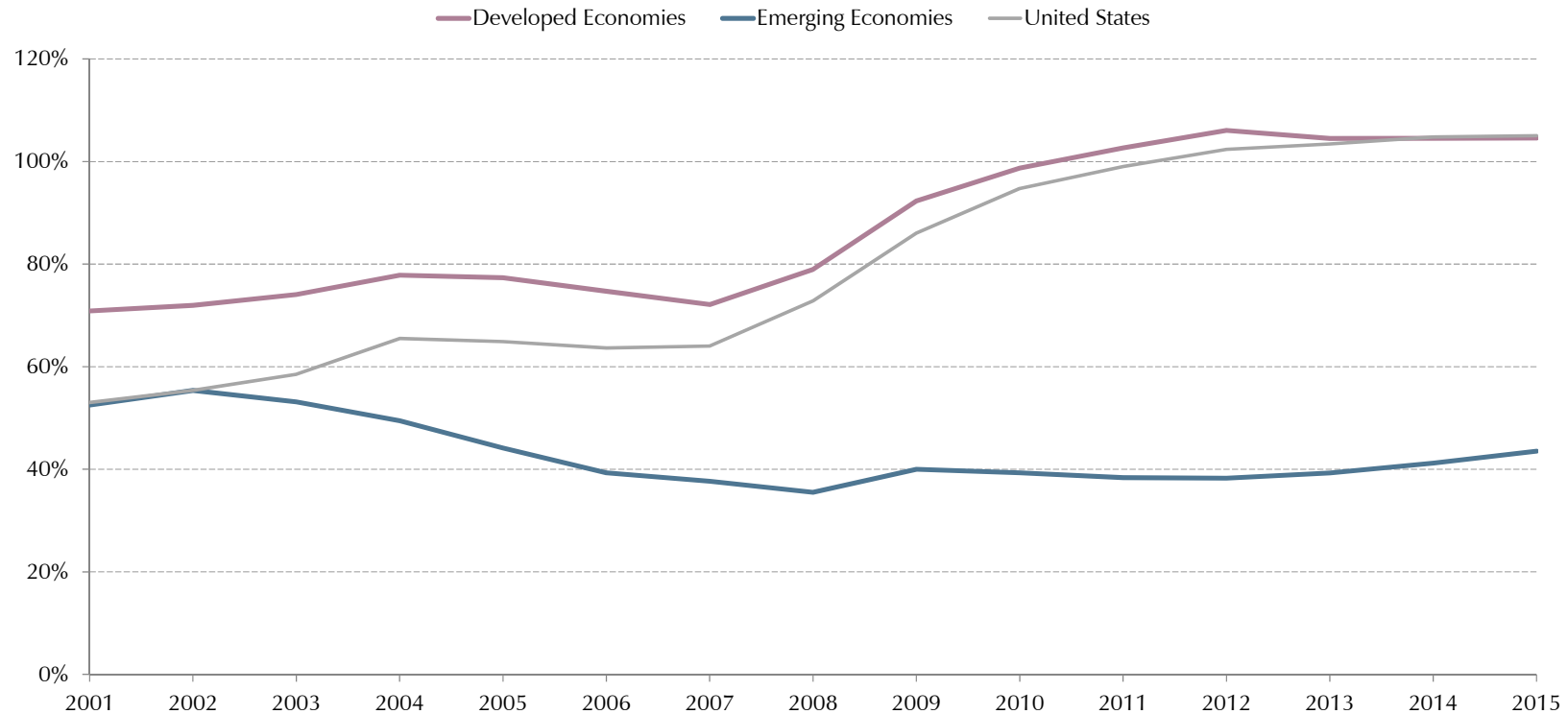
### Japan Economic Conditions<sup>1</sup>



- Japan's stock market continued to advance in the second quarter with the market more than doubling since late 2012.
- The Japanese economy showed signs of improvement in the last quarter, with growth coming in above expectations.

<sup>1</sup> Source: Bloomberg, Cabinet Office Japan. Data is as of June 30, 2015 for the NIKKEI 225 and Q1 2015 for real GDP.

### Government Debt as a % of GDP<sup>1</sup>



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

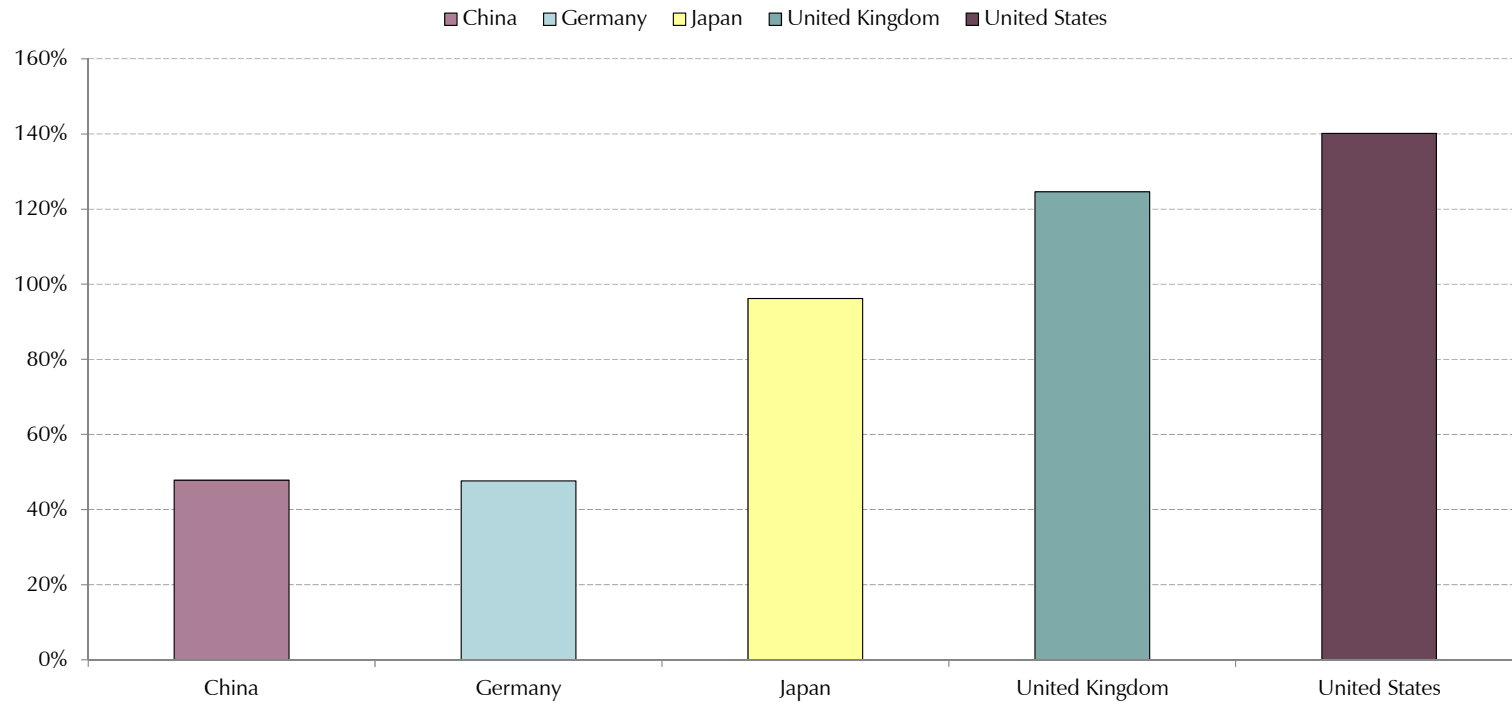
<sup>1</sup> Source: IMF, World Economic Outlook, April 2015. Data for 2014 and 2015 are estimates.

China's Equity Market<sup>1</sup>

- China's equity market recently experienced a dramatic decline after the impressive rally that started in early 2014.
- Policy makers responded by implementing a variety of unprecedented measures to support the market, including cutting interest rates, restricting short selling, and suspending initial public offerings (IPOs).
- The question remains whether China will continue to attempt to aggressively support prices going forward.

<sup>1</sup> Source: Bloomberg; Data for the Shanghai composite is as of June 30, 2015.

### China Market Capitalization as a % of GDP<sup>1</sup>



- In China, the stock market capitalization relative to GDP is much lower than in developed markets, with a relatively small percentage of households participating in the market.
- Going forward, a developed well-functioning Chinese stock market will be an important part of the country's transition from an investment-based economy to a consumption-based economy.

<sup>1</sup> Source: Bloomberg, IMF, World Economic Outlook, April 2015. Data is as of December 31, 2014 for market capitalization. Data for GDP represents the IMF's estimates for 2014.

## Summary

**Four primary concerns face the global economy in 2015: 1) continued economic sluggishness and financial risk in Europe; 2) declining growth in China; 3) diminishing effectiveness of monetary policy globally; 4) divergent growth in emerging economies.**

- Although there have been recent improvements in Europe's growth and prices, they both remain weak. The recent Greek bailout negotiations are a reminder of the structural issues in the Euro-zone related to having one currency and many fiscal authorities. A prolonged slowdown, or further issues with the solidarity of the euro, could weigh heavily on global demand and be disruptive to markets and growth.
- Growth could continue to slow in China, requiring additional stimulative measures, as the economy transitions from an investment-based growth model to a more consumption-based growth model. Declining growth in China could further weigh on its trading partners and lead to additional aggressive monetary and fiscal policies elsewhere.
- The world's major central banks continue to keep interest rates close to 0%. In the U.S., the Federal Reserve ended its bond purchases last year, while Japan's central bank continues to aggressively expand its balance sheet and Europe recently began its own purchase program. Additionally, several emerging economies recently began cutting interest rates. If another major decline in growth occurs, central banks would have few additional options to stimulate growth.
- Growth in emerging market economies could be uneven going forward, with commodity export-dependent economies particularly hurt by a sustained slowdown in global growth and prices.

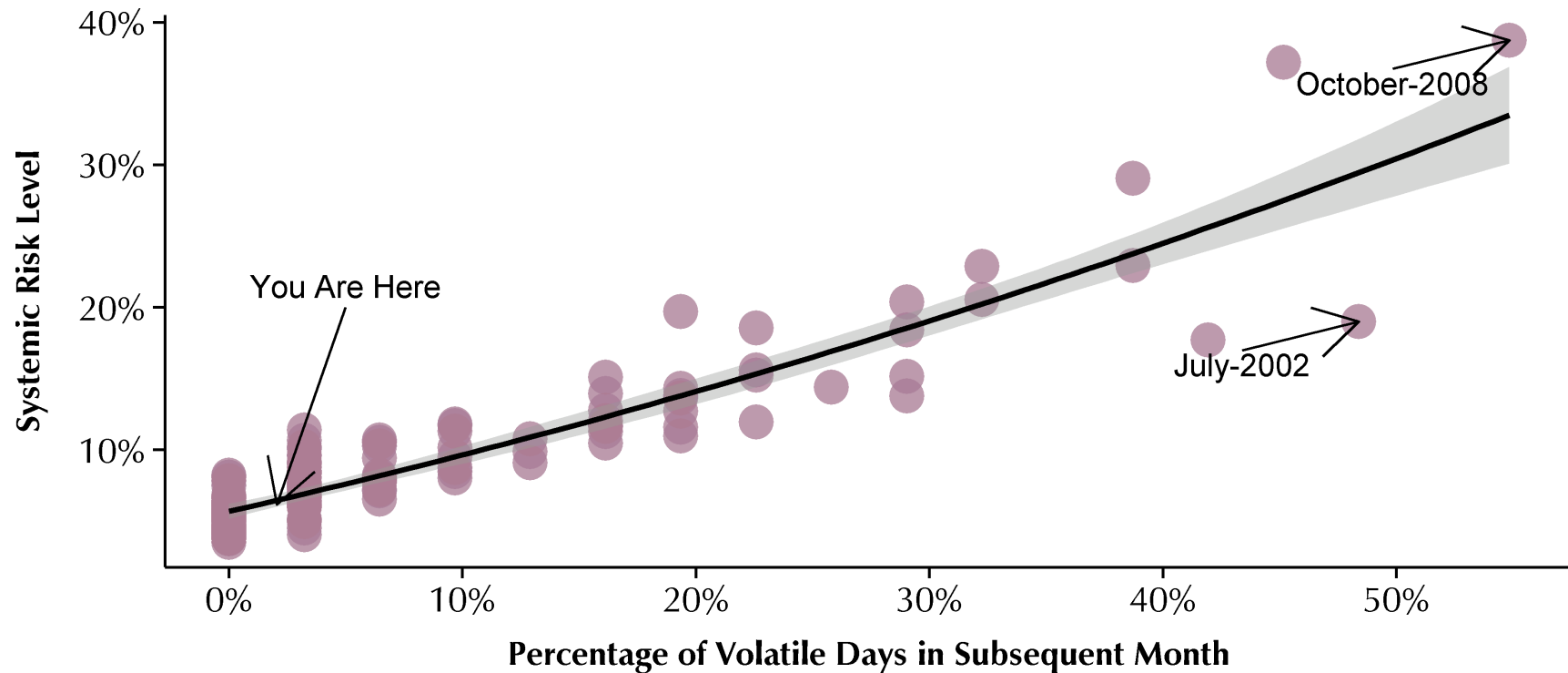


## Capital Markets Outlook

### 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 over the past year, remaining above its historical average (29.1x versus 21.7x).
    - 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.
  - Risk across markets measured by our Systemic Risk metric has increased recently but remains low by historical standards.
    - However, monetary policy changes by central banks and political upheaval could have a meaningful impact.
  - At the end of June, spreads for high yield corporate and investment grade bonds (4.8% and 1.5% respectively) were back to near their long-term averages.
  - At 2.4%, the yield on the ten-year Treasury remained far below its post-WWII average of 5.6%.
  - Crude Oil prices continue on a steep decline which has had wide ranging effects across several markets.

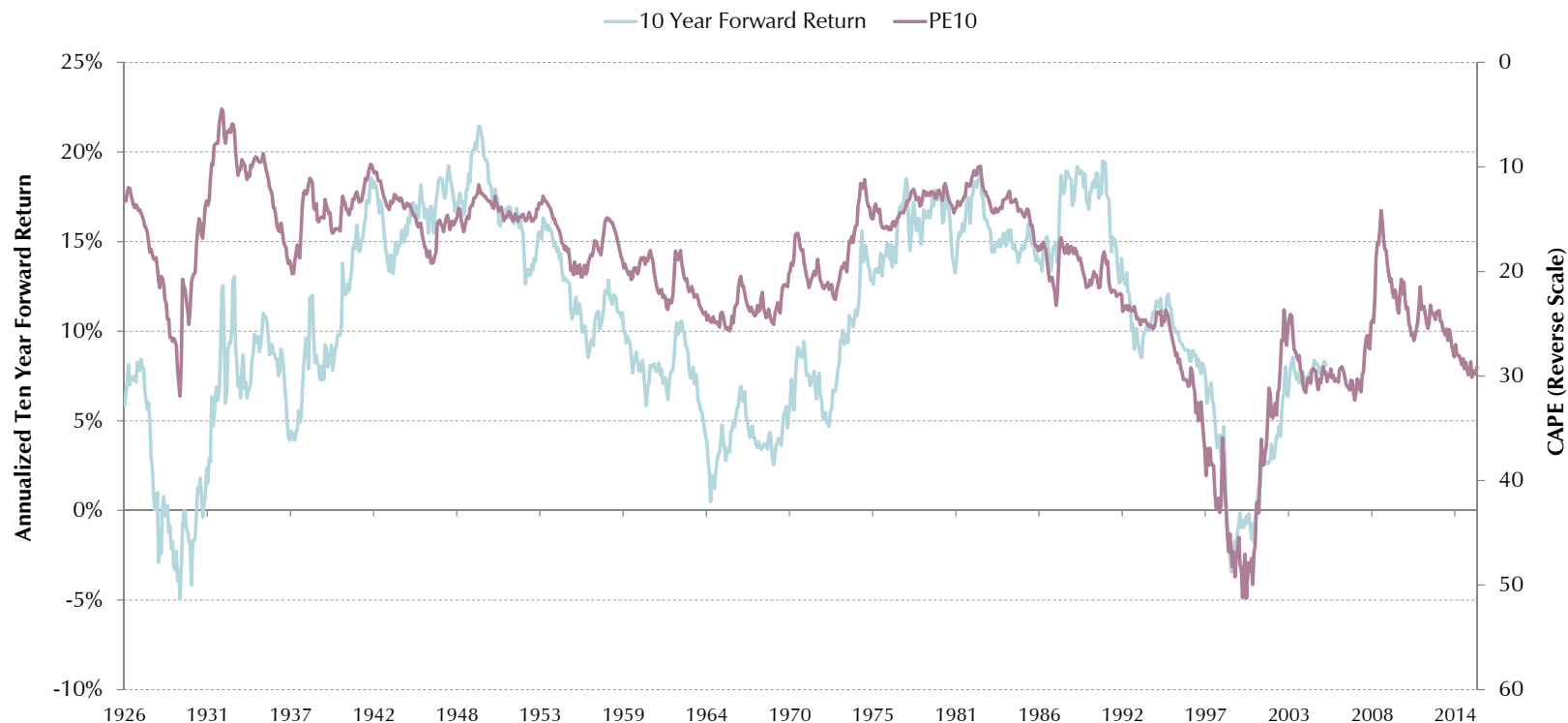
<sup>1</sup> Sources: Thomson Reuters, U.S. Treasury, Standard & Poor's. Data is as of June 30, 2015.

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

- Systemic Risk which measures risk across markets 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 from this time last year, overall Systemic Risk levels remain in a tolerable range.

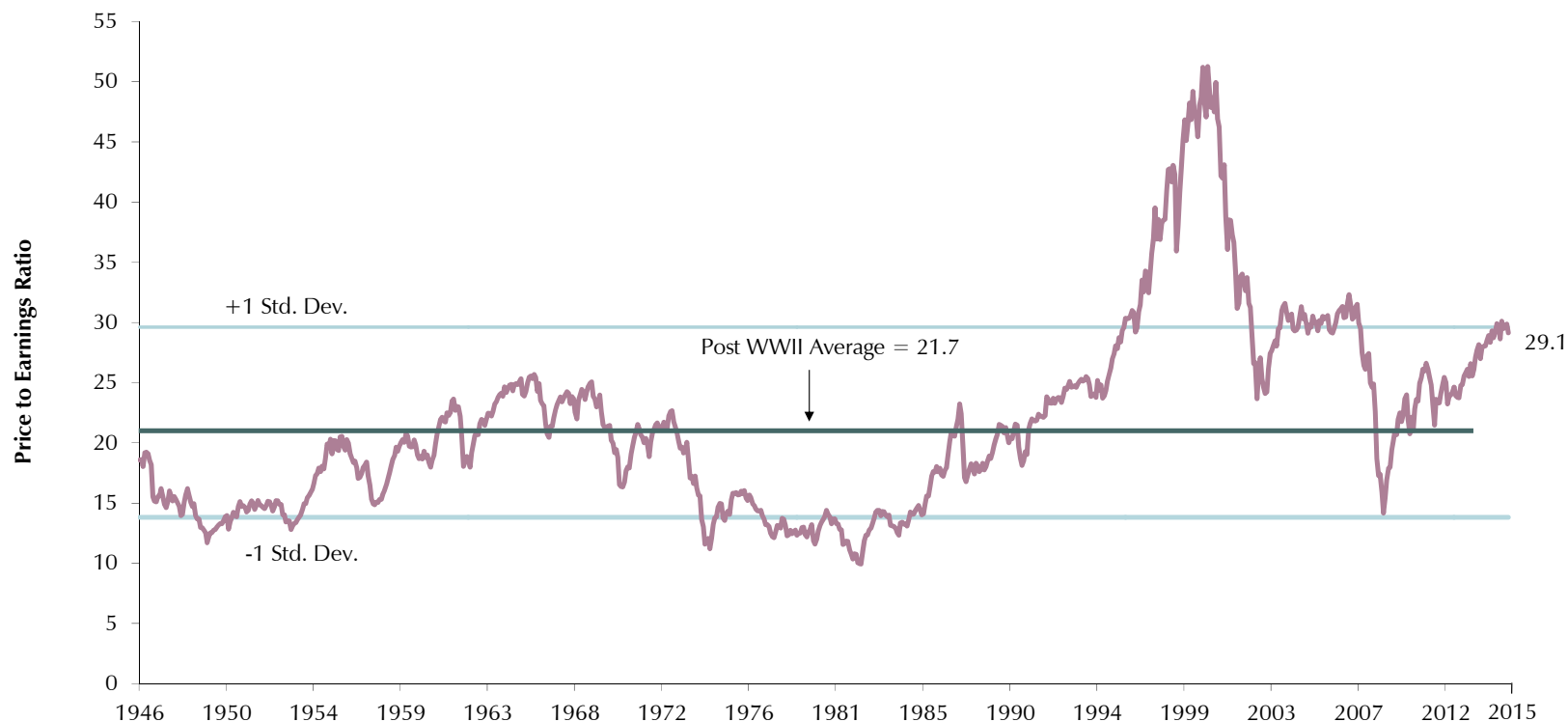
<sup>1</sup> Source: Meketa Investment Group, as of August 1, 2015. Volatile days are defined as the top 10 percent of realized turbulence which is a multivariate distance between asset returns.

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



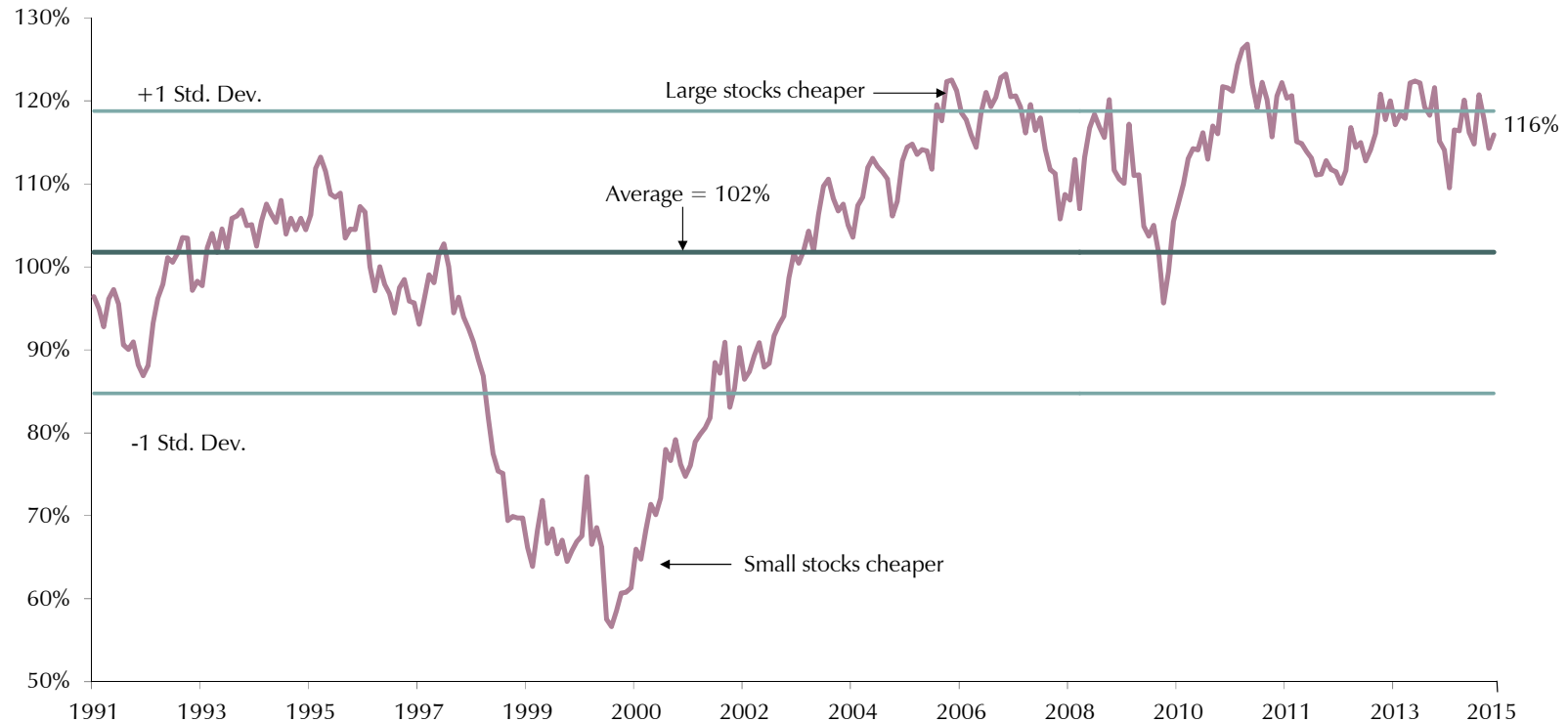
- One of the most powerful predictors of long-term equity returns has been the Cyclically Adjusted Price to Earnings Ratio (CAPE).
- This fundamentally driven measure is highly correlated with future returns which are shown in the chart above using the CAPE metric on a reverse scale.

<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 June 30, 2015.

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

- The cyclically adjusted P/E ratio for the S&P 500 finished June at 29.1x, above its post-WWII average of 21.7x.
- 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 June 30, 2015.

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

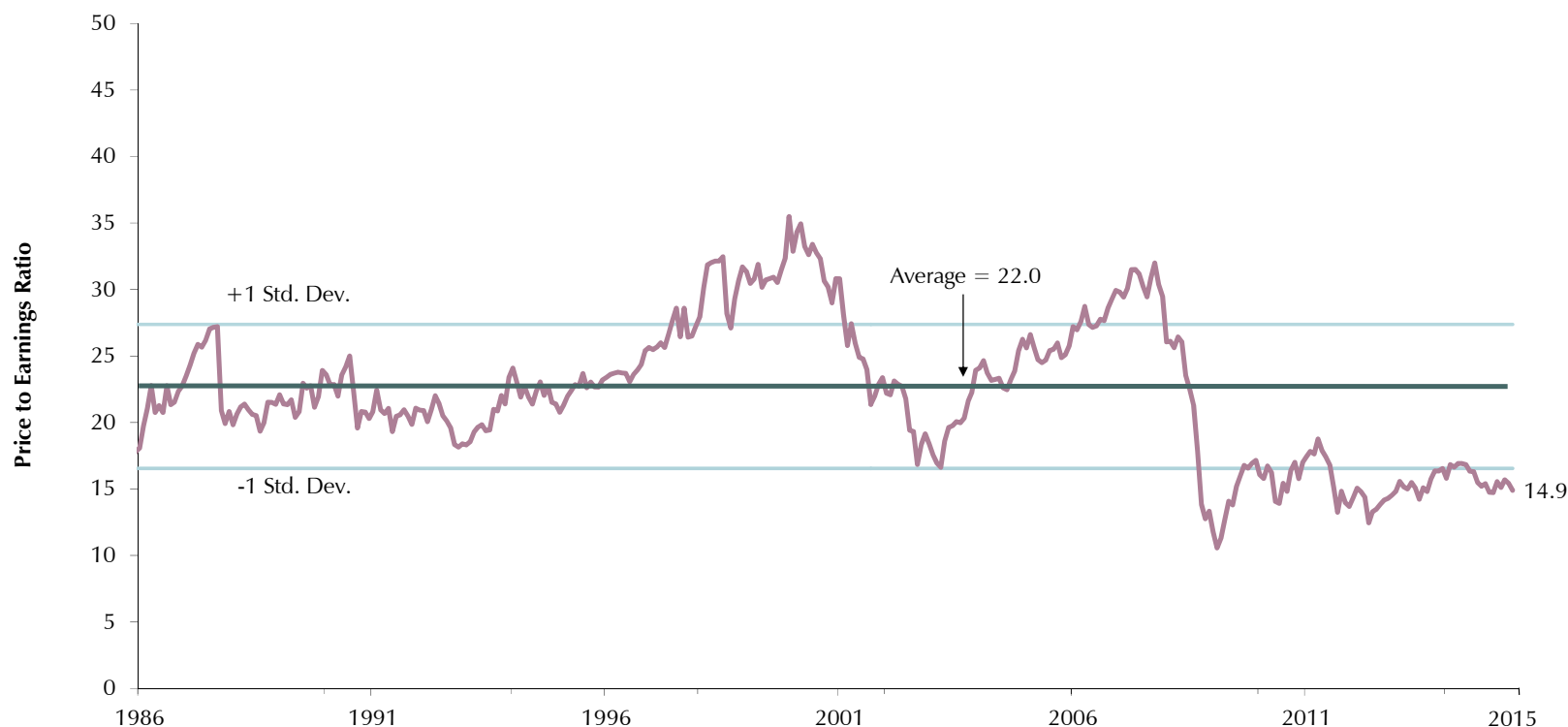
- The P/E ratio of small cap stocks (Russell 2000) relative to large cap stocks (Russell 1000) points to comparatively expensive small cap stocks.
- After recovering the relative price declines experienced by small cap stocks during the most recent bout of market volatility, this metric is back near 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 June 30, 2015.

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 June at 140%, 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 June 30, 2015.

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 June 30, 2015.



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.

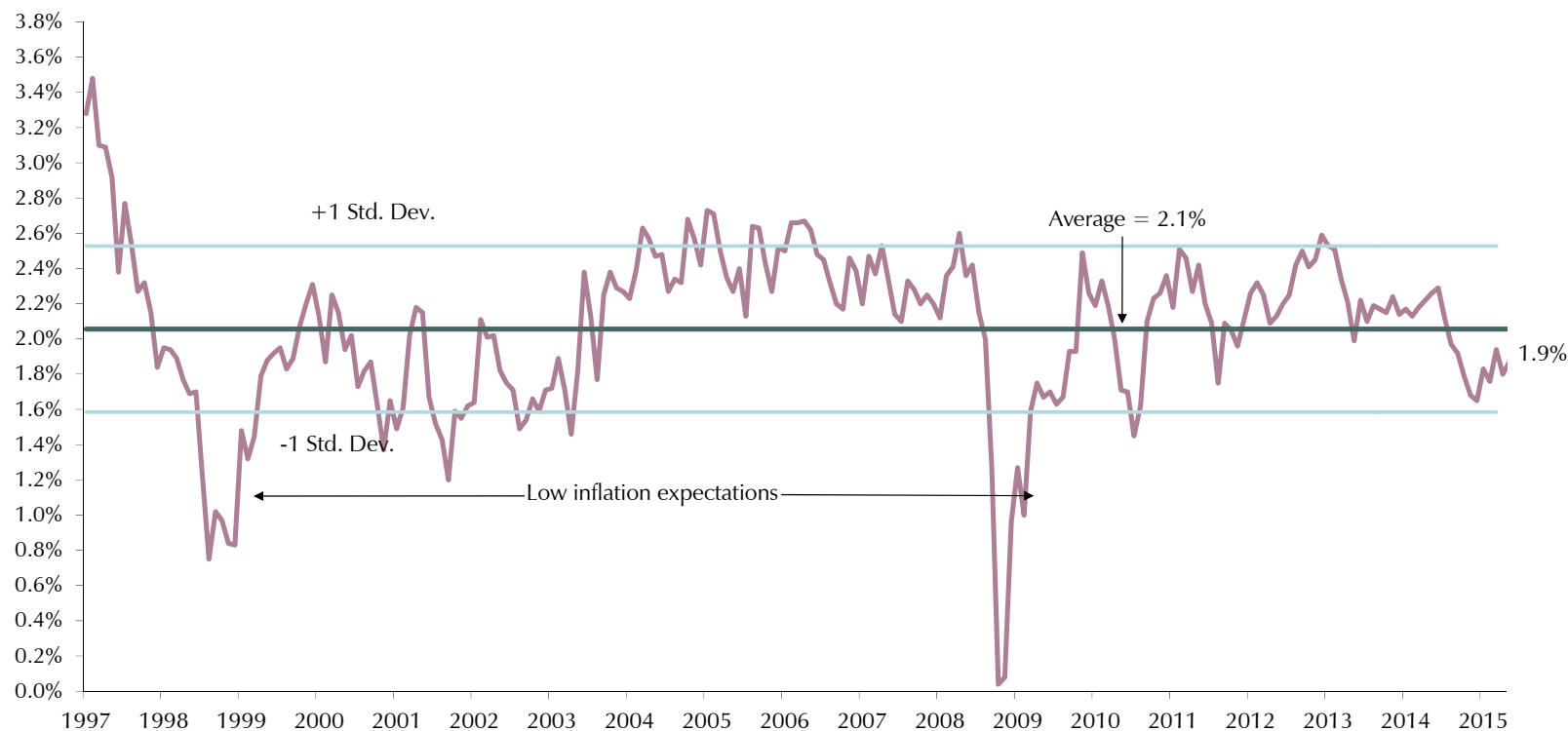
<sup>1</sup> Source: MSCI and Thomson Reuters. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of June 30, 2015.

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



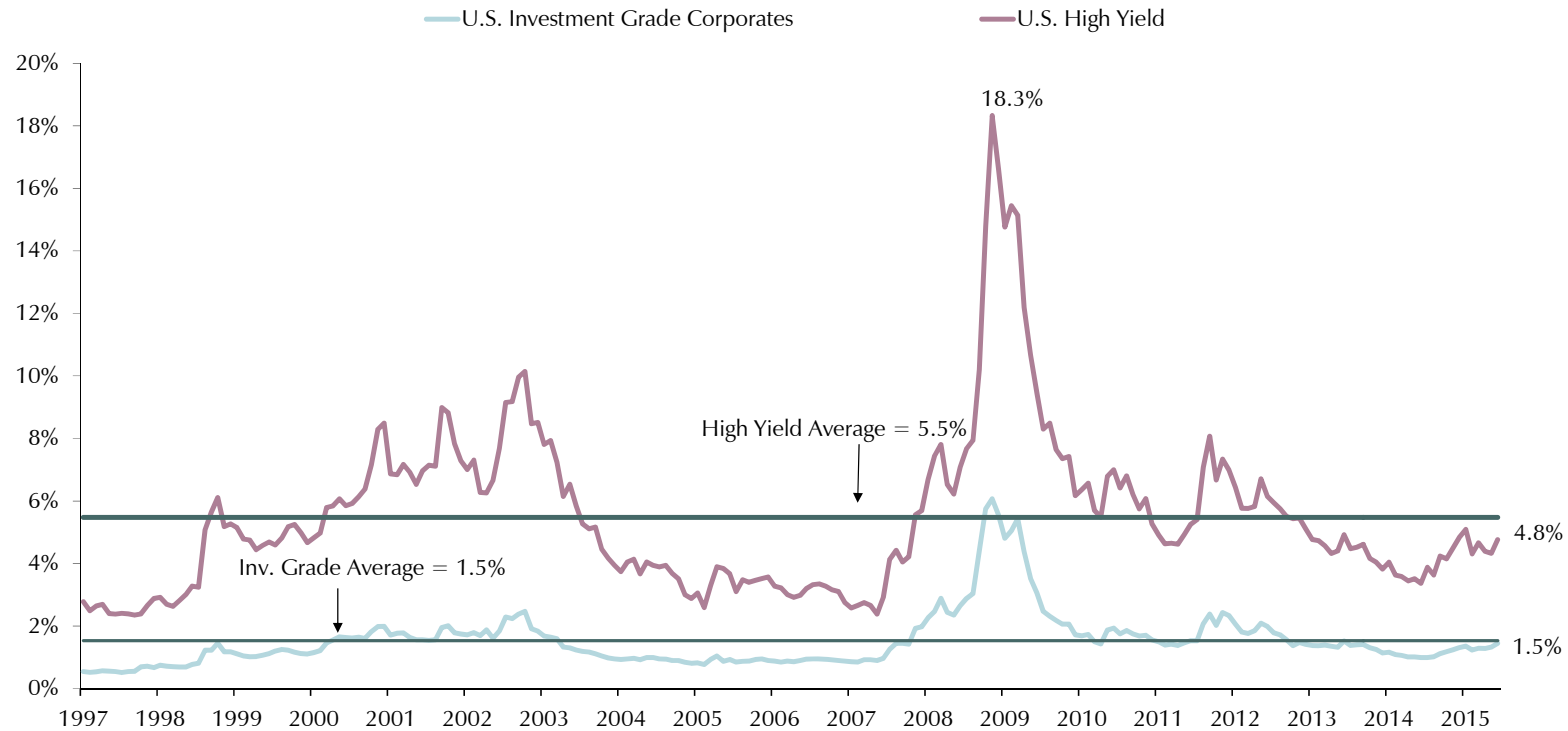
- Ten-year Treasury yields finished June at 2.4%, well below both their post-WWII average and the levels of one year ago.
- Markets have begun to focus on when the central bank will begin to raise interest rates, which may be as soon as September.

<sup>1</sup> Source: U.S. Treasury. Data is as of June 30, 2015.

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

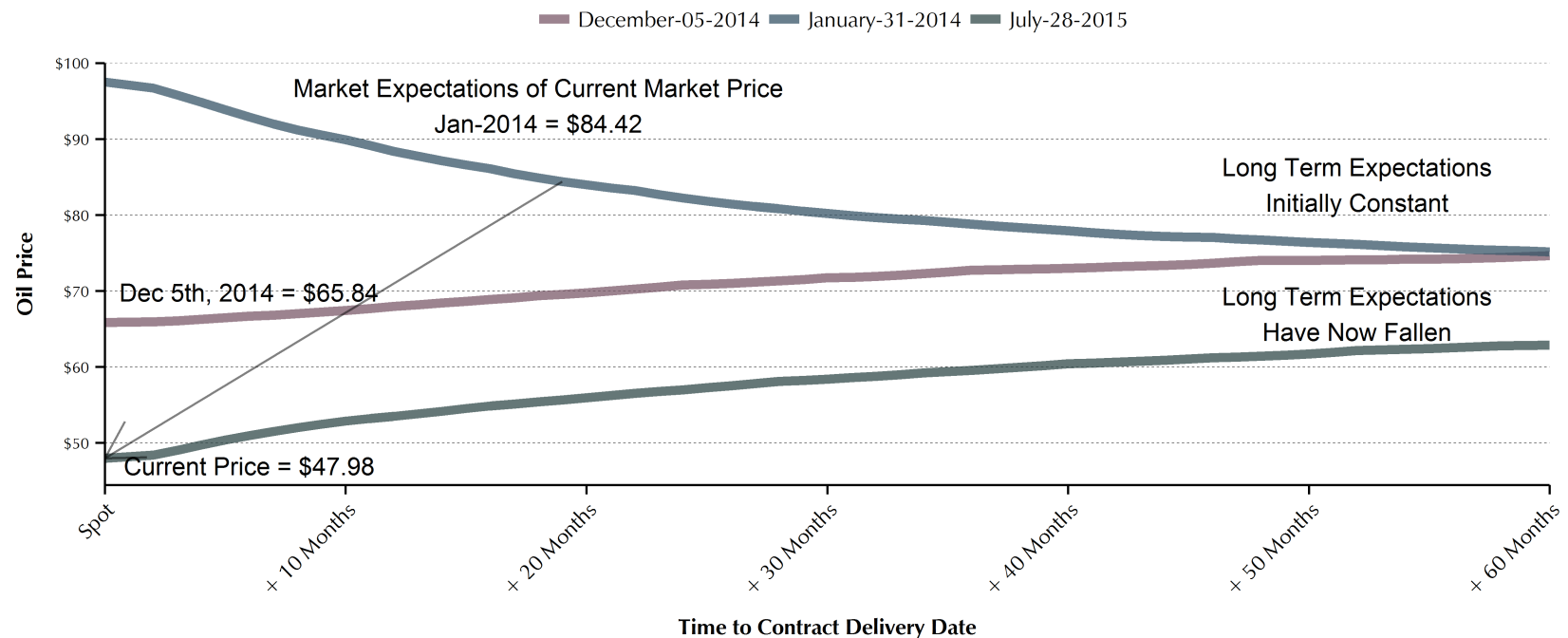
- Breakeven (or expected) inflation, the difference between the nominal yield on a ten-year Treasury and the real yield on a ten-year TIPS, has fallen well below its long-term average.
- The most recent annualized inflation rate was 1.5%. This means actual inflation has been 0.4% below the ten-year breakeven inflation rate. Declines in energy prices have driven the recent sharp fall in inflation.

<sup>1</sup> Source: U.S. Treasury and Federal Reserve. Data is as of June 30, 2015 for TIPS and Treasuries. Inflation is measured by the Consumer Price Index (CPI-U NSA) for which the most recent data point is from June 30, 2015.

Credit Spreads<sup>1</sup>

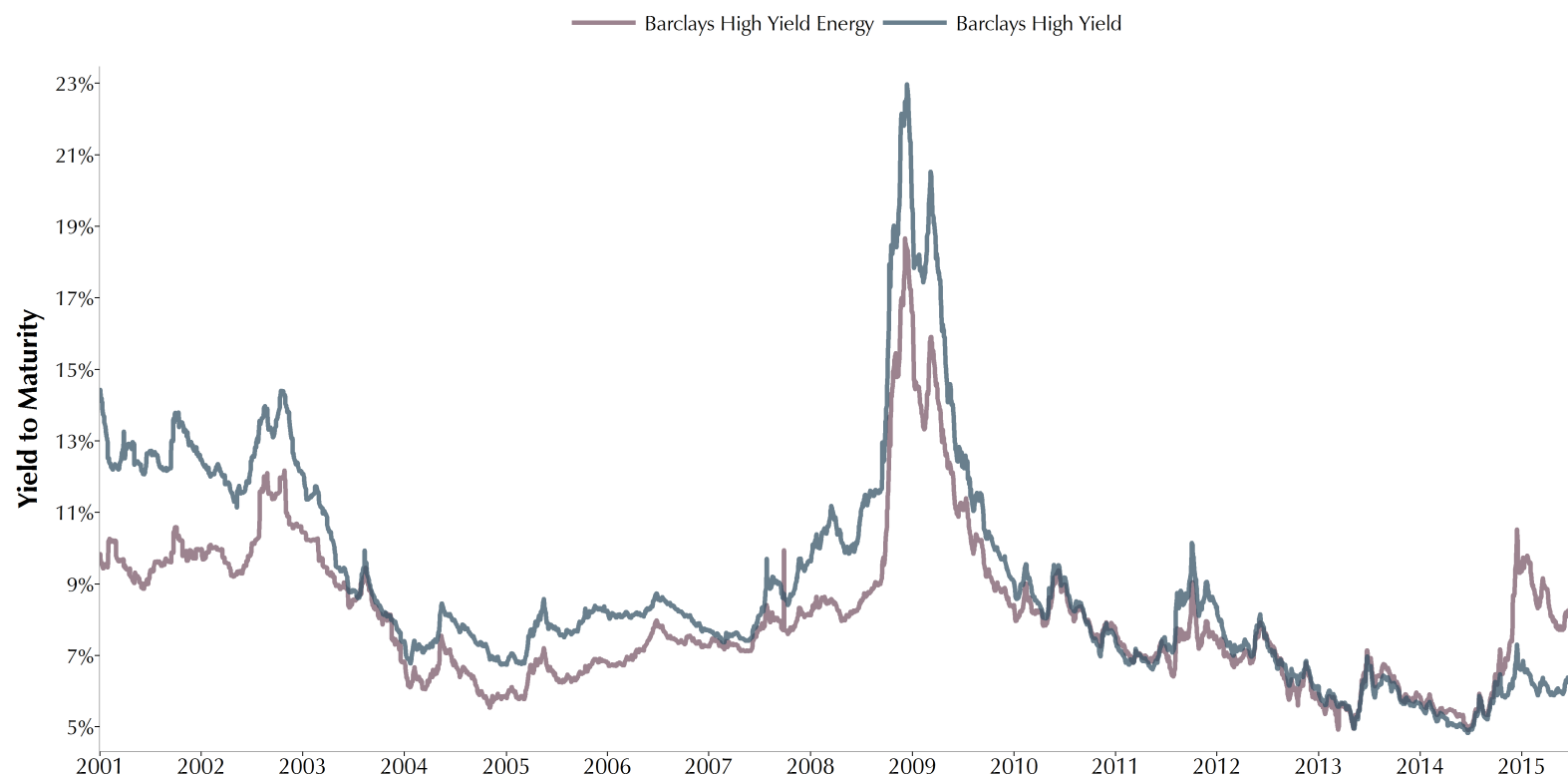
- Credit spreads (versus U.S. Treasury bonds) for both high yield and investment grade corporate bonds finished June close to their respective historical averages.
- The recent jump in market risk caused a widening in spreads, especially within high yield which was affected by oil price declines.

<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 June 30, 2015.

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

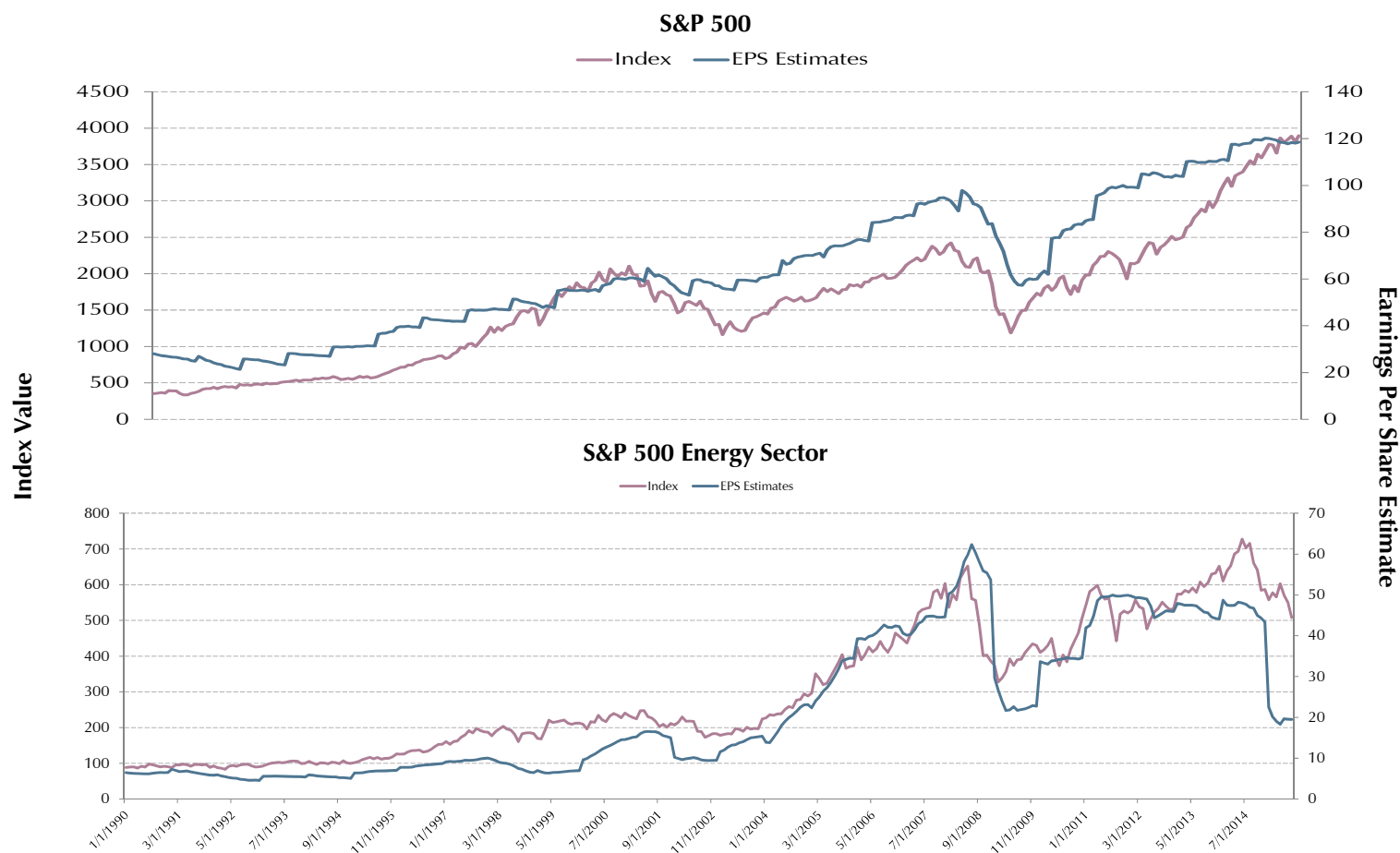
- The chart above shows the WTI Crude Oil futures prices as of January and December of last year and July of this year. This highlights how large the recent price fall has been, especially relative to expectations last year.
- Looking further out on the curve we can see that initially long-term price 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 July 28, 2015.

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

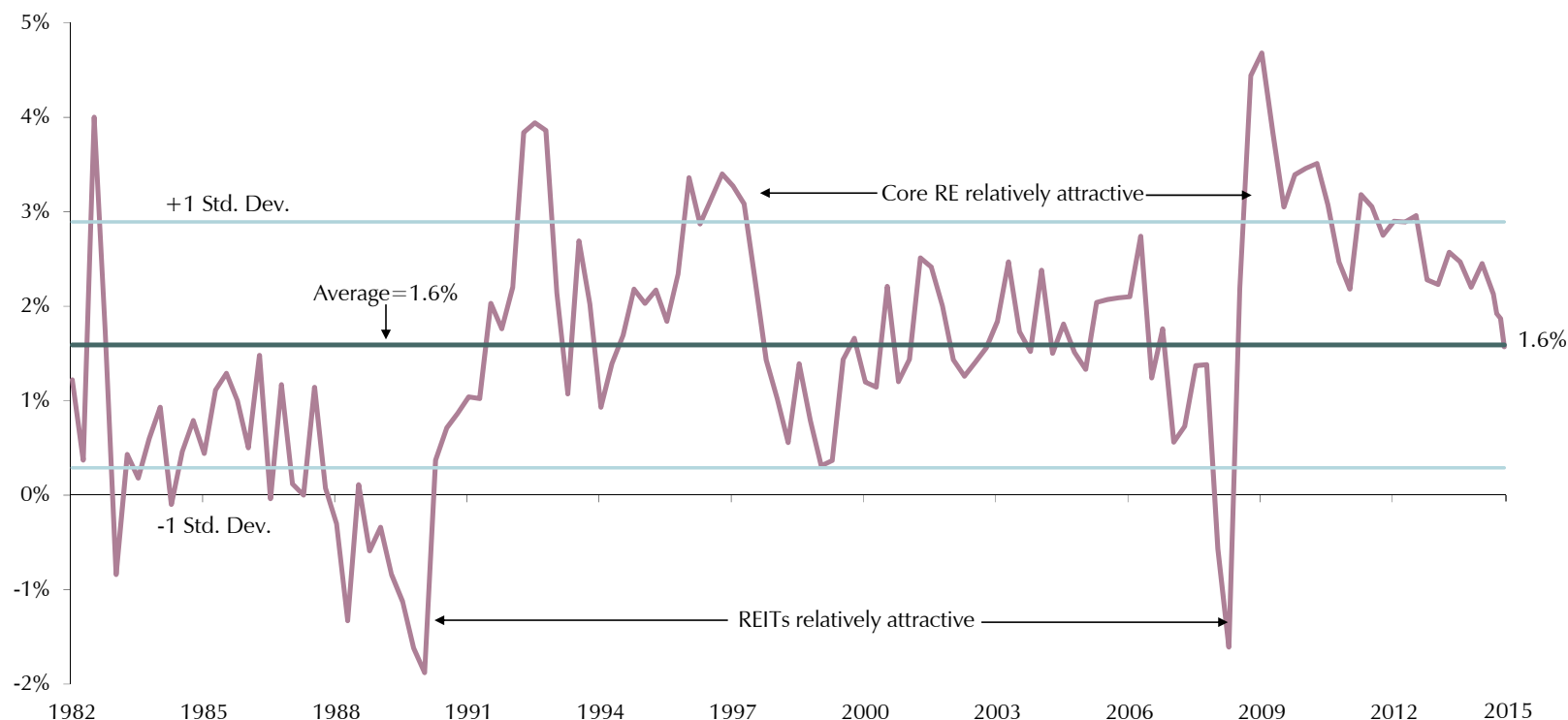
- The oil price decline has been a major contributing factor for the recent widening of spreads within U.S. High Yield.
- The energy sector represents roughly 15% of the index and as illustrated above, most of widening of spreads has come from the energy sector.

<sup>1</sup> Source: Barclays and Thompson Reuters. Data is as of August 4, 2015.

U.S. Corporate Earnings<sup>1</sup>

- The oil price decline has also had a major effect on U.S. earnings expectations. Earnings have fallen recently in that sector but much less than estimates. Aggregating all sectors, earnings were stronger than estimates.

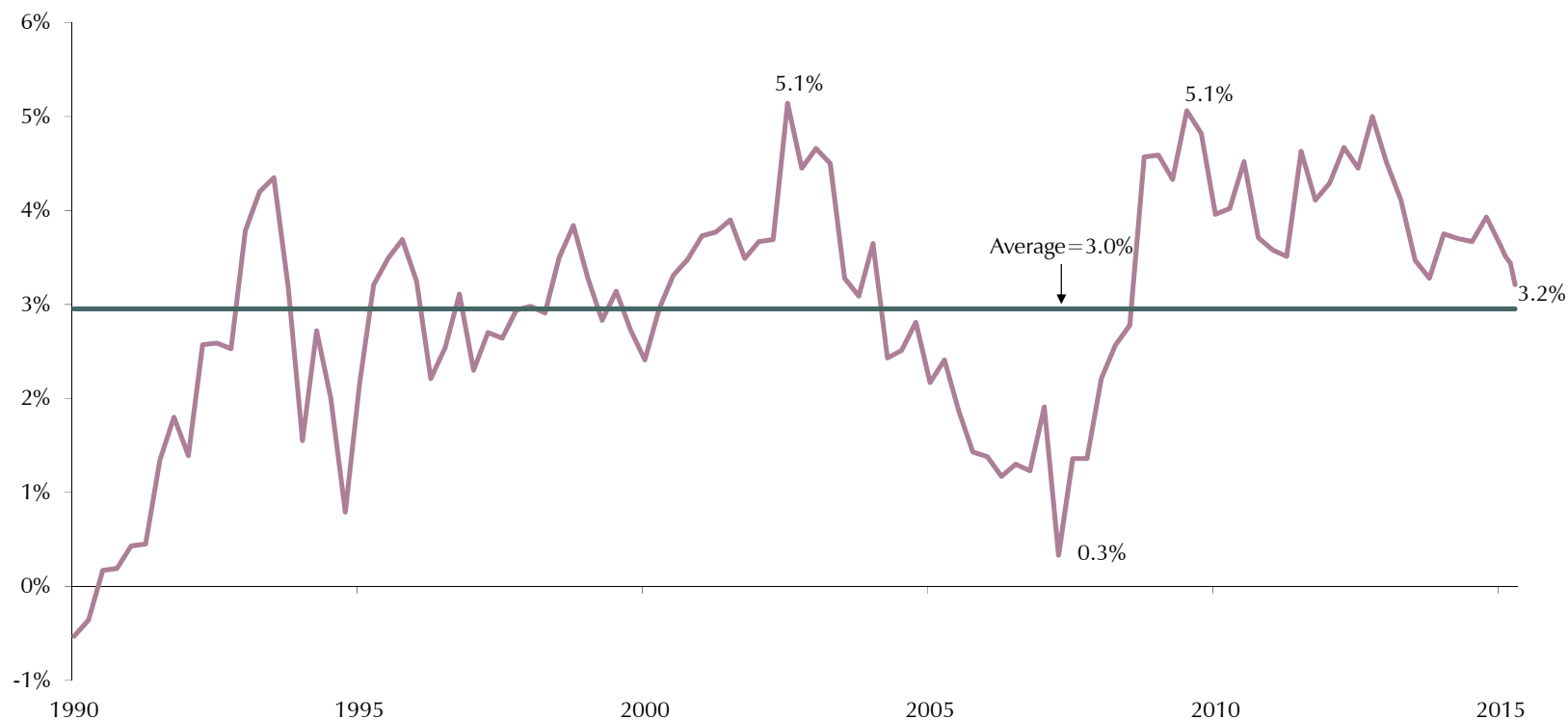
<sup>1</sup> Source: Bloomberg. Earnings Per Share Estimates are the average current quarter estimates of market analyst. Data is as of May 25, 2015.

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

- At the end of June, the spread between core real estate cap rates and REIT yields was 1.6%, reaching the long term historical level.
- REITs were yielding 4.0%, well below the 10.1% level of early 2009.

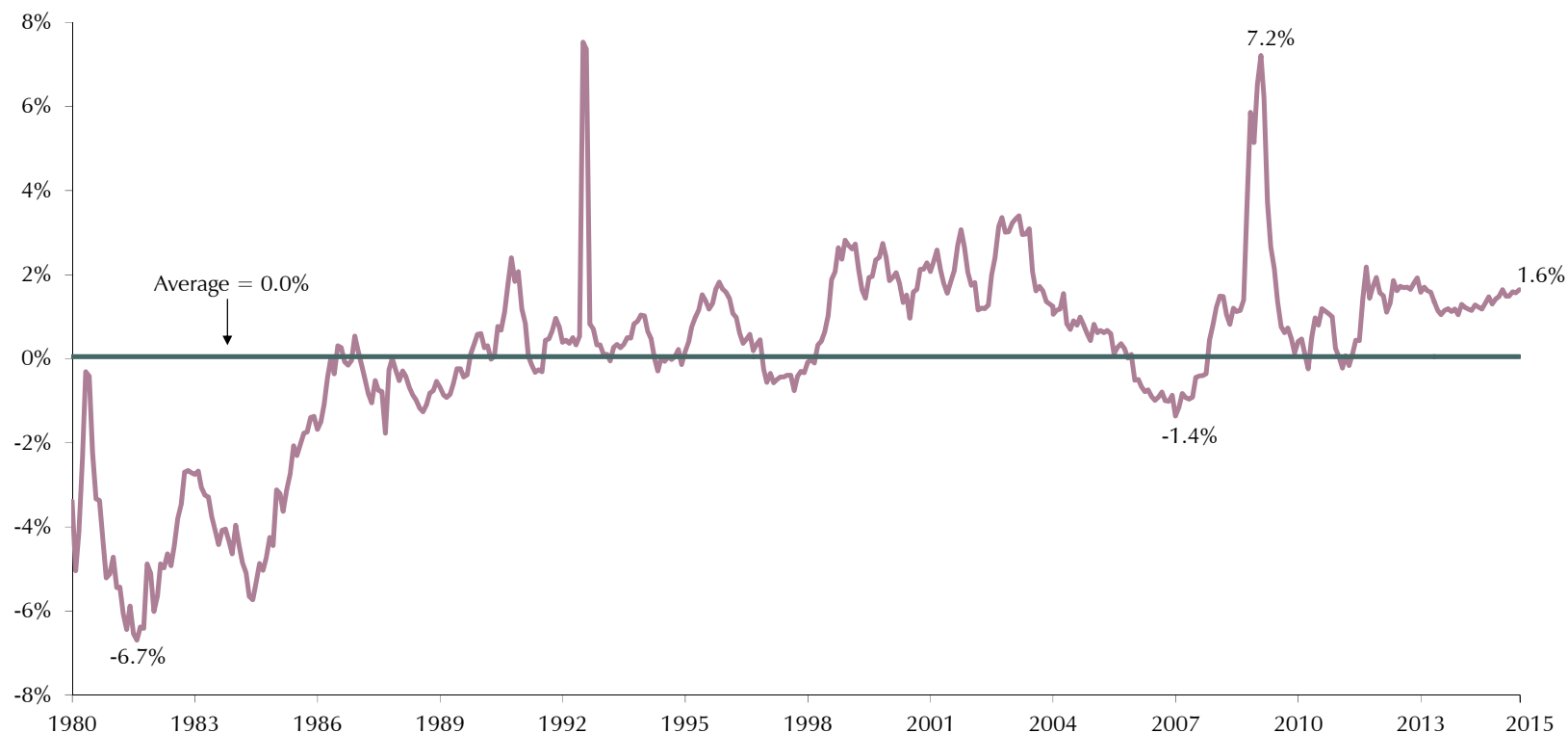
<sup>1</sup> Sources: Thomson Reuters and NCREIF. Core Real Estate is proxied by the transaction-based cap rate for the NCREIF NPI index and REITs are proxied by the yield for the NAREIT Equity index. NPI transactional capitalization rates are calculated on a quarterly basis and lagged in their release. Data is as of March 31, 2015 for the NCREIF NPI and June 30, 2015 for the NAREIT Equity index.



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

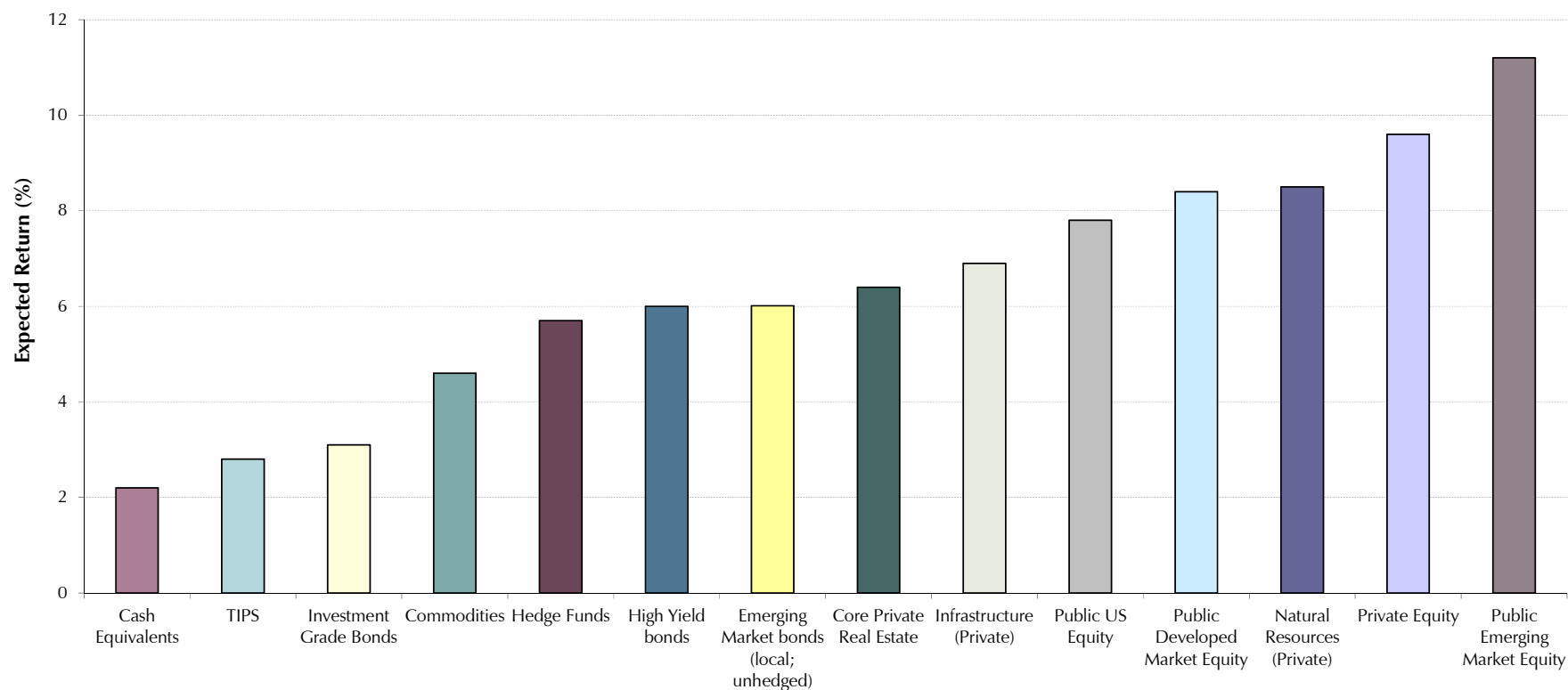
- At 3.2%, the difference between the 5.6% cap rate for core real estate and the 2.4% yield for the ten-year Treasury has come back towards its historical average.
- Still, the absolute level of core real estate cap rates is near a historical low.

<sup>1</sup> Source: NCREIF, U.S. Treasury. NPI transactional capitalization rates are calculated on a quarterly basis. Data is as of March 31, 2015 for the NCREIF NPI and June 30, 2015 for the ten-year Treasury.

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

- REIT yield spreads were 1.6% at the end of June. This spread gradually increased last year 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 June 30, 2015.

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 2015 Annual Asset Study.

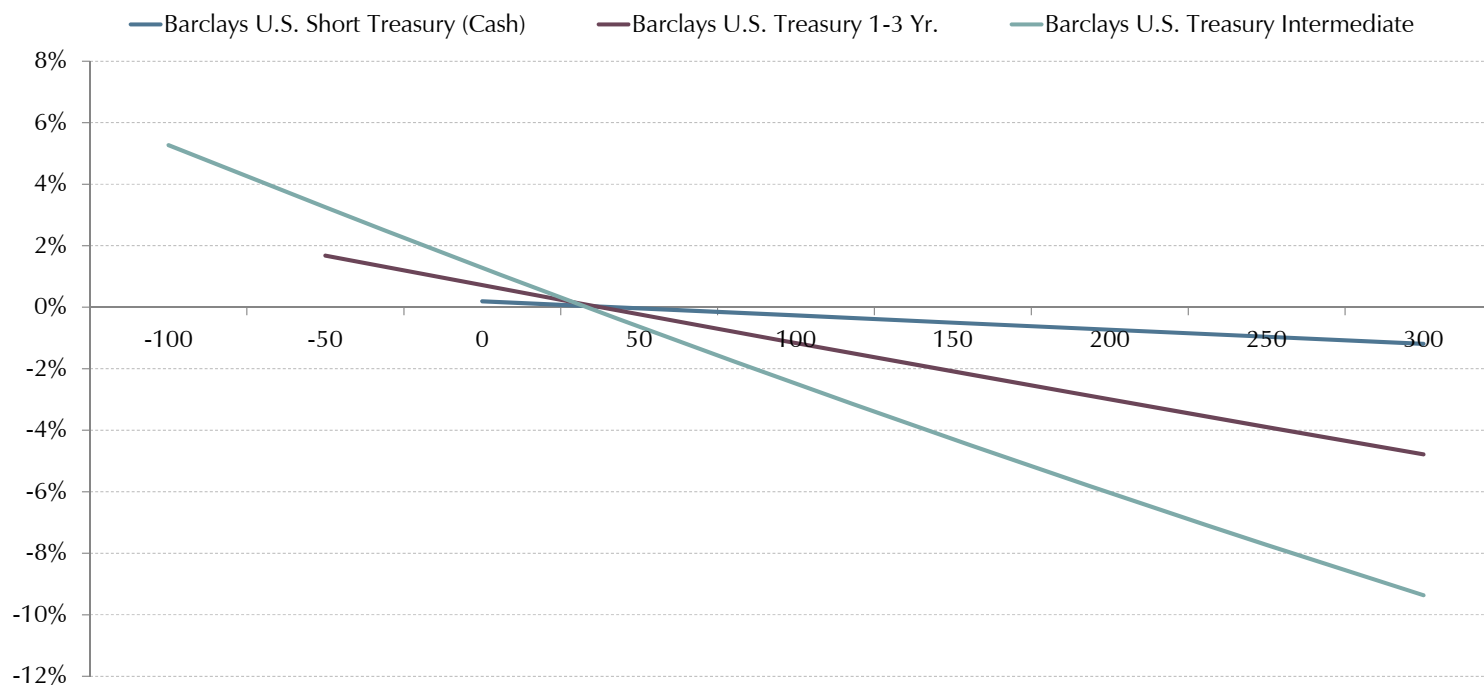
Total Return Comparison of Barclays U.S. Aggregate Minus Barclays U.S. TIPS<sup>1</sup>

		Changes In Rates (bps)				
		-100	-50	0	50	100
Inflation Rate Scenarios	4.0%	-5.51%	-3.76%	-2.20%	-0.81%	0.41%
	3.0%	-4.51%	-2.76%	-1.20%	0.19%	1.41%
	2.0%	-3.51%	-1.76%	-0.20%	1.19%	2.41%
	1.0%	-2.51%	-0.76%	0.80%	2.19%	3.41%
	0.0%	-1.51%	0.24%	1.80%	3.19%	4.41%

## 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	-3.24%	1.03%	1.90%	2.28%	2.56%
Barclays U.S. Treasury U.S. TIPS	-5.65%	0.44%	1.70%	2.25%	2.66%

<sup>1</sup> Data is as of June 30, 2015 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>

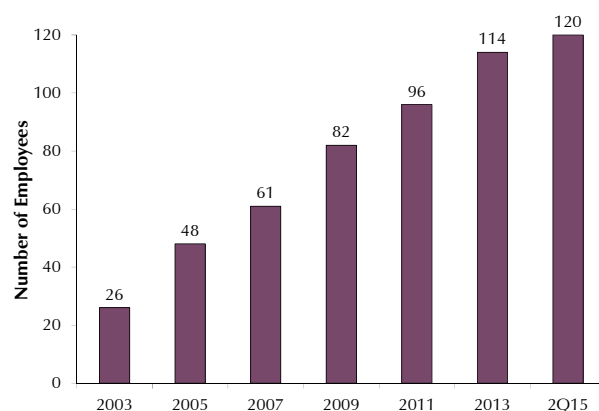
	Total Return for Given Changes in Interest Rates (bps)									Statistics	
	-100	-50	0	50	100	150	200	250	300	Duration	YTW
Barclays U.S. Short Treasury (Cash)			0.2%	0.0%	-0.3%	-0.5%	-0.7%	-1.0%	-1.2%	0.46	0.19%
Barclays U.S. Treasury 1-3 Yr.		1.7%	0.7%	-0.2%	-1.2%	-2.1%	-3.0%	-3.9%	-4.8%	1.91	0.72%
Barclays U.S. Treasury Intermediate	5.3%	3.2%	1.3%	-0.6%	-2.5%	-4.3%	-6.0%	-7.7%	-9.4%	3.88	1.28%
Barclays U.S. Treasury Long	22.0%	11.9%	2.8%	-5.4%	-12.5%	-18.6%	-23.8%	-27.9%	-31.0%	17.26	2.77%

<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 June 30, 2015 via Barclays and Thomson Reuters.

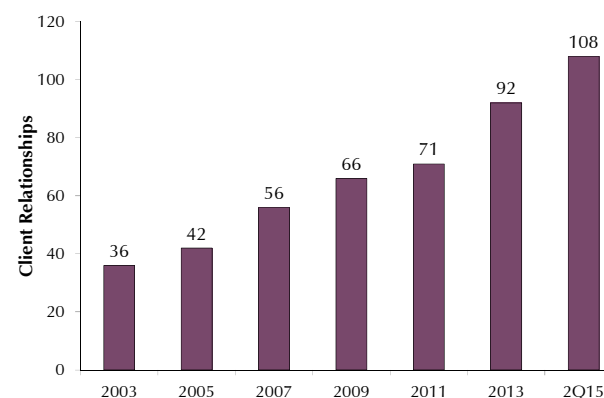
## **Meketa Investment Group Corporate Update**

- Staff of 120, including 71 investment professionals and 23 CFA Charterholders
- 108 clients, with 195 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 \$800 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**

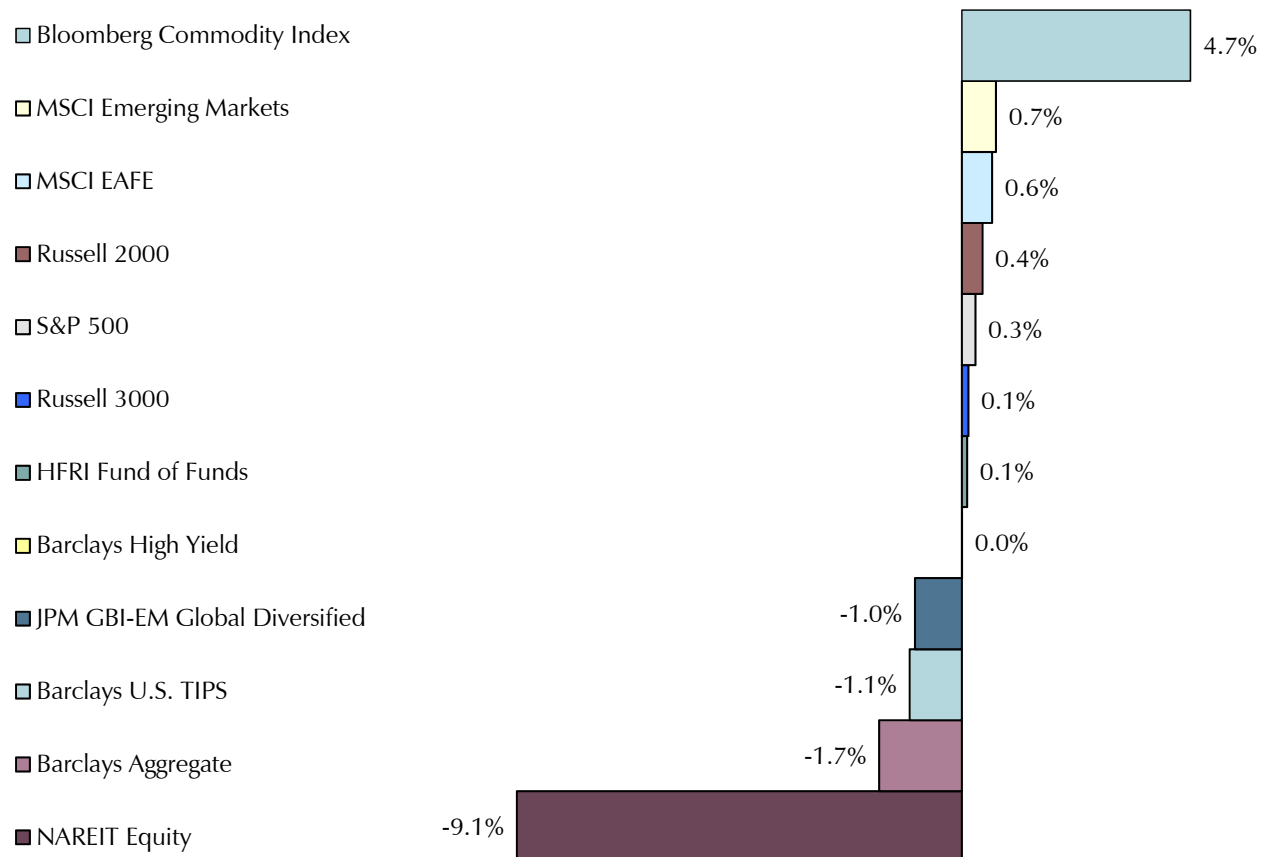
Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
<ul style="list-style-type: none"> <li>- Passive</li> <li>- Enhanced Index</li> <li>- Large Cap</li> <li>- Midcap</li> <li>- Small Cap</li> <li>- Microcap</li> <li>- 130/30</li> </ul>	<ul style="list-style-type: 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 Second Quarter of 2015

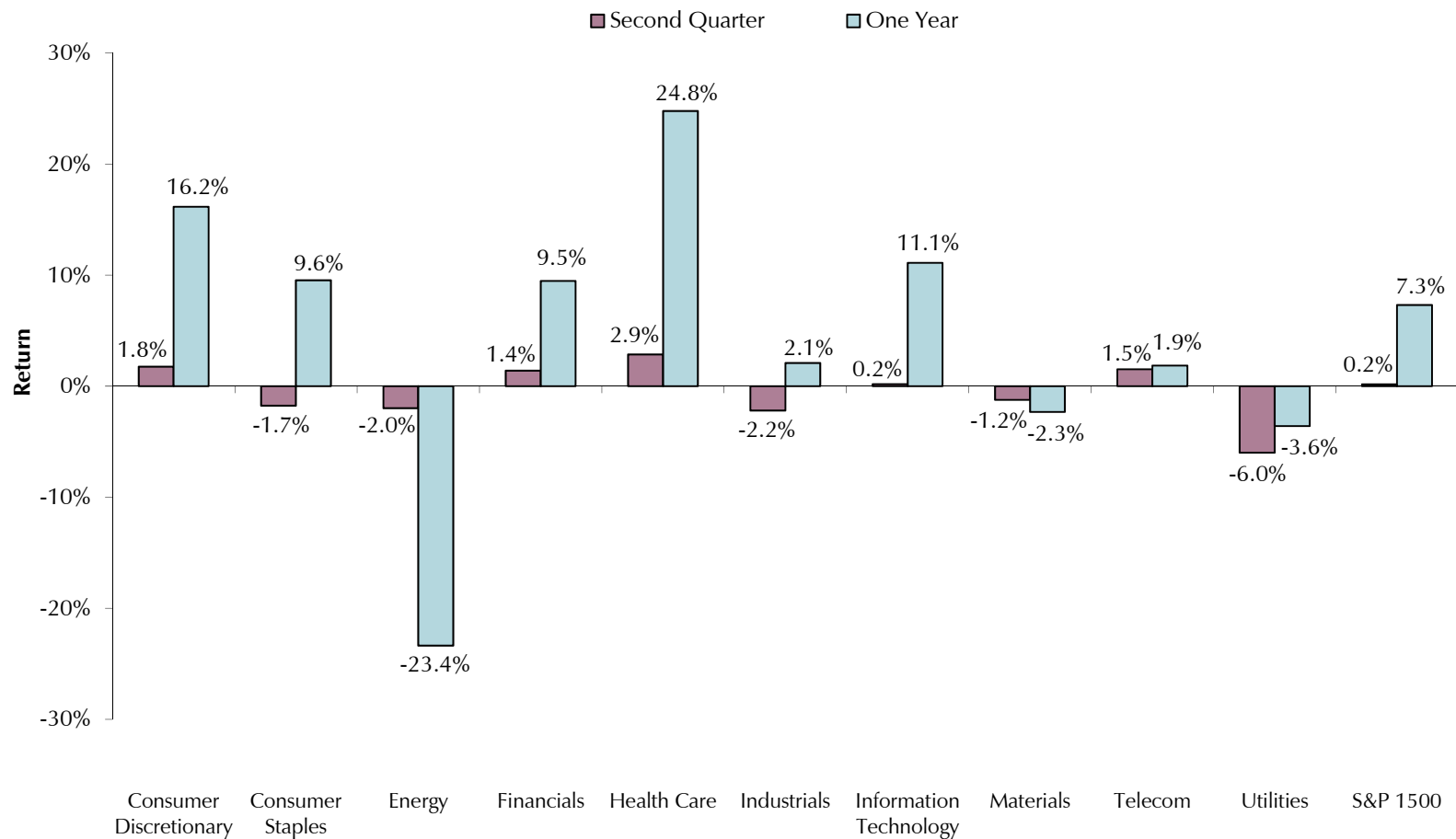
The World Markets  
Second Quarter of 2015



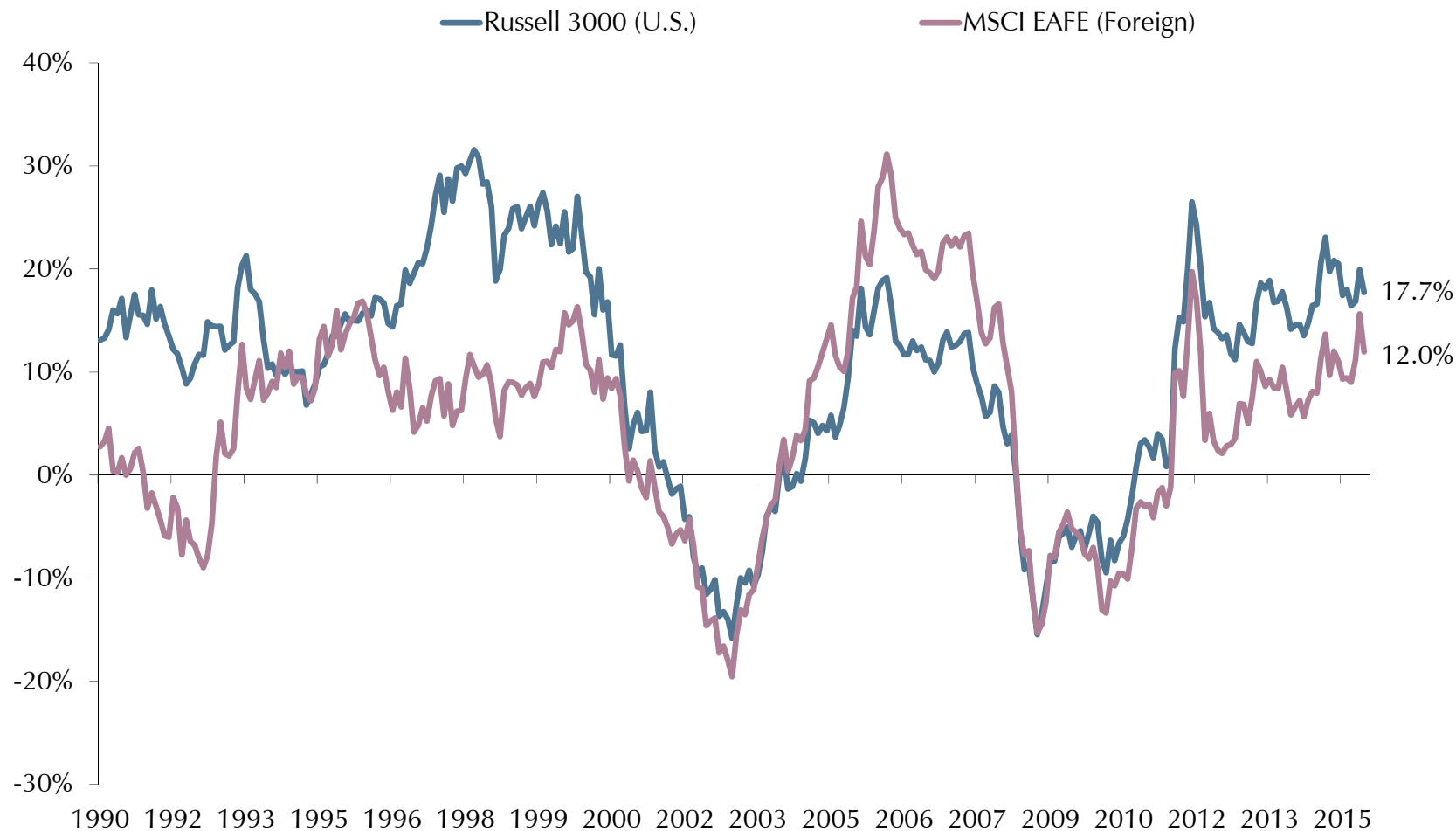
## Index Returns

	2Q15 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>						
Russell 3000	0.1	1.9	7.3	17.7	17.5	8.2
Russell 1000	0.1	1.7	7.4	17.7	17.6	8.1
Russell 1000 Growth	0.1	4.0	10.6	18.0	18.6	9.1
Russell 1000 Value	0.1	-0.6	4.1	17.3	16.5	7.0
Russell MidCap	-1.5	2.4	6.6	19.3	18.2	9.4
Russell MidCap Growth	-1.1	4.2	9.5	19.2	18.7	9.7
Russell MidCap Value	-2.0	0.4	3.7	19.1	17.7	8.9
Russell 2000	0.4	4.8	6.5	17.8	17.1	8.4
Russell 2000 Growth	2.0	8.7	12.3	20.1	19.3	9.9
Russell 2000 Value	-1.2	0.8	0.8	15.5	14.8	6.9
<b>Foreign Equity</b>						
MSCI ACWI (ex. U.S.)	0.5	4.0	-5.3	9.4	7.8	5.5
MSCI EAFE	0.6	5.5	-4.2	12.0	9.5	5.1
MSCI EAFE (local currency)	-1.8	8.8	11.8	18.1	11.3	5.4
MSCI EAFE Small Cap	4.3	10.1	-0.8	15.7	12.4	6.6
MSCI Emerging Markets	0.7	2.9	-5.1	3.7	3.7	8.1
MSCI Emerging Markets (local currency)	0.7	5.6	6.2	8.6	6.9	9.7
<b>Fixed Income</b>						
Barclays Universal	-1.4	0.3	1.6	2.3	3.8	4.7
Barclays Aggregate	-1.7	-0.1	1.9	1.8	3.3	4.4
Barclays U.S. TIPS	-1.1	0.3	-1.7	-0.8	3.3	4.1
Barclays High Yield	0.0	2.5	-0.4	6.8	8.6	7.9
JPMorgan GBI-EM Global Diversified	-1.0	-4.9	-15.4	-3.8	0.9	5.9
<b>Other</b>						
NAREIT Equity	-9.1	-5.4	4.1	9.1	14.4	7.0
Bloomberg Commodity Index	4.7	-1.6	-23.7	-8.8	-3.9	-2.6
HFRI Fund of Funds	0.1	2.6	3.9	6.2	4.1	3.2

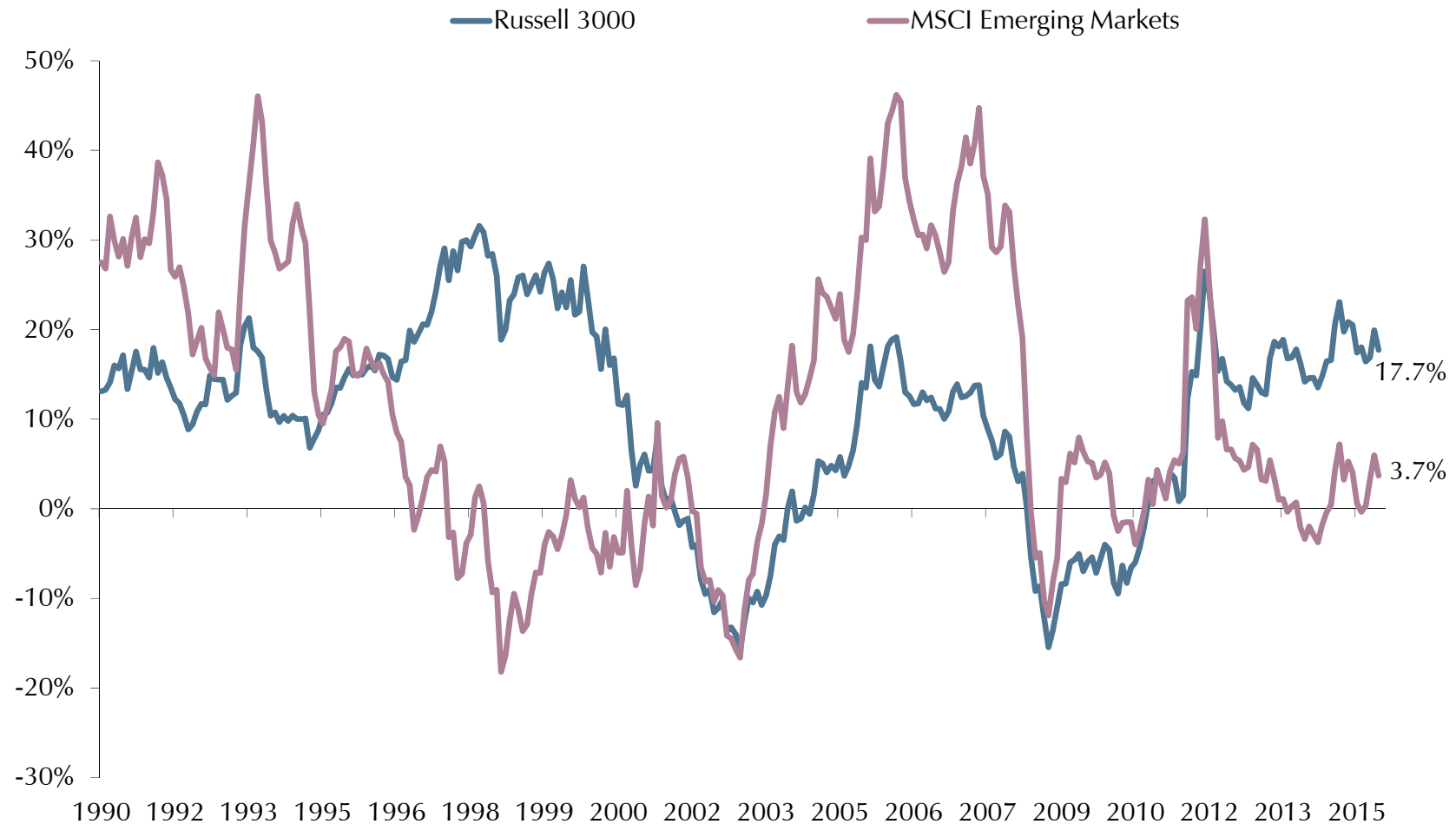
### S&P Sector Returns



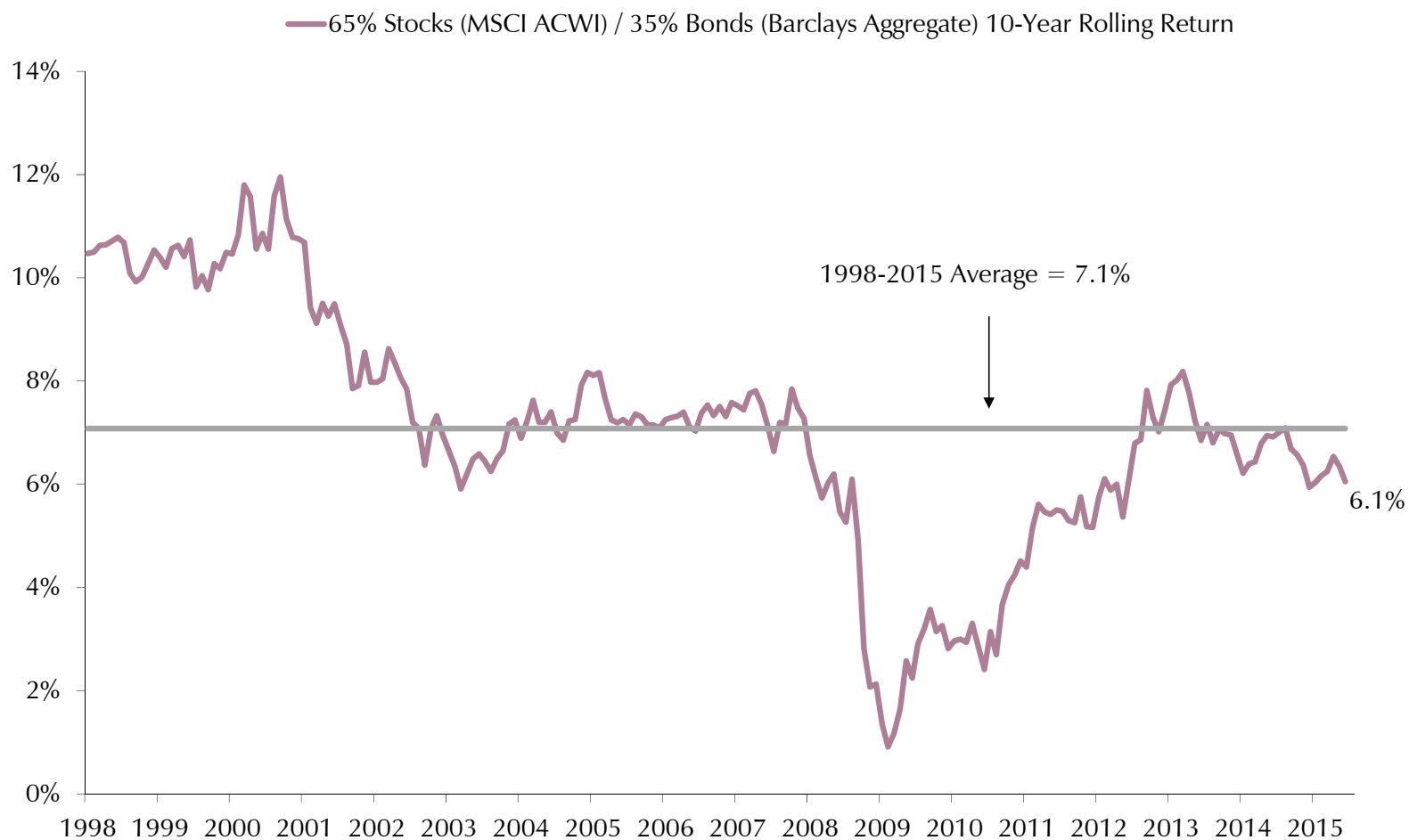
### U.S. and Developed Market Foreign Equity Rolling Three Year Returns



### U.S. and Emerging Market Equity Rolling Three Year Returns

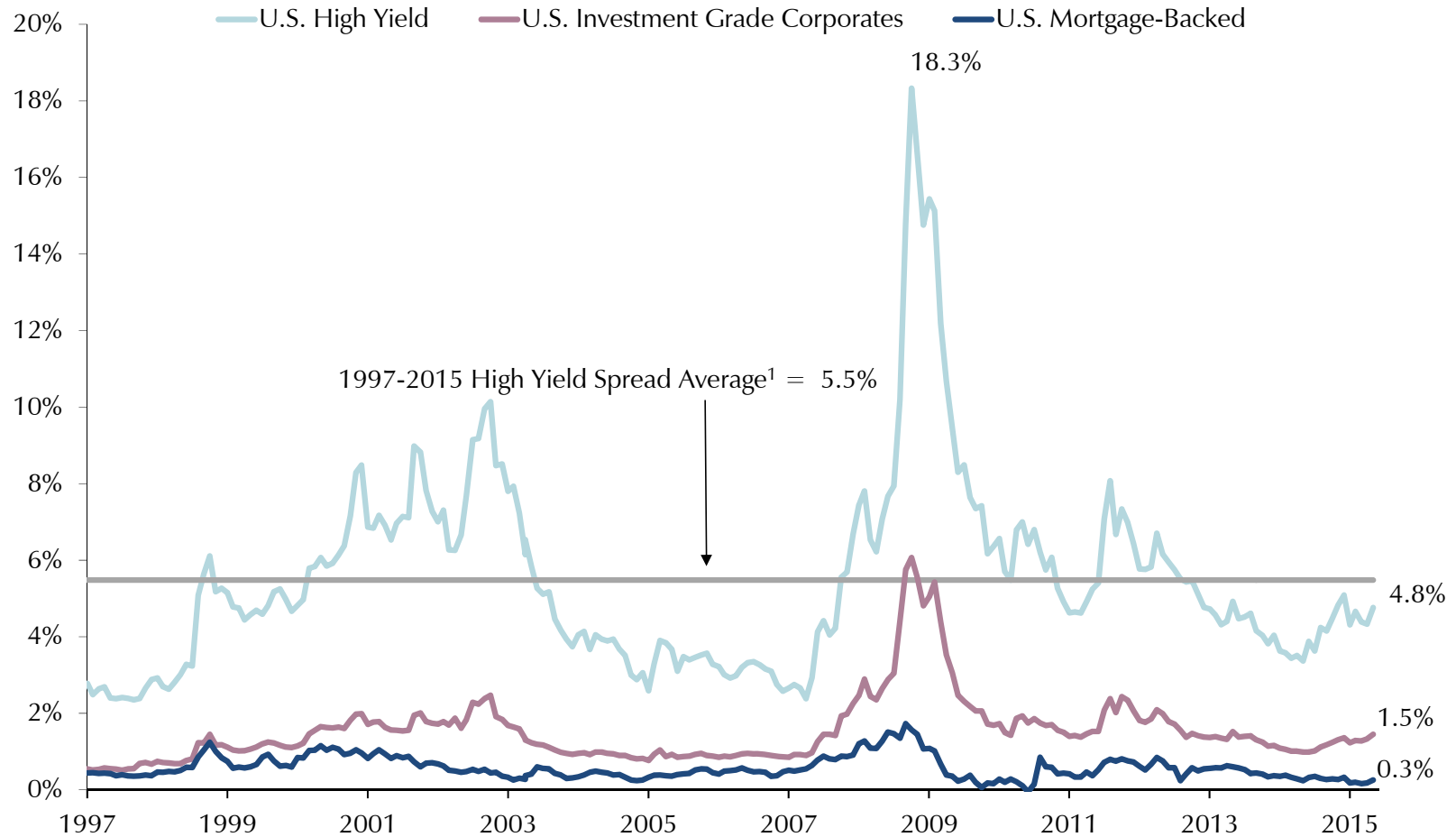


### Rolling Ten-Year Returns: 65% Stocks and 35% Bonds



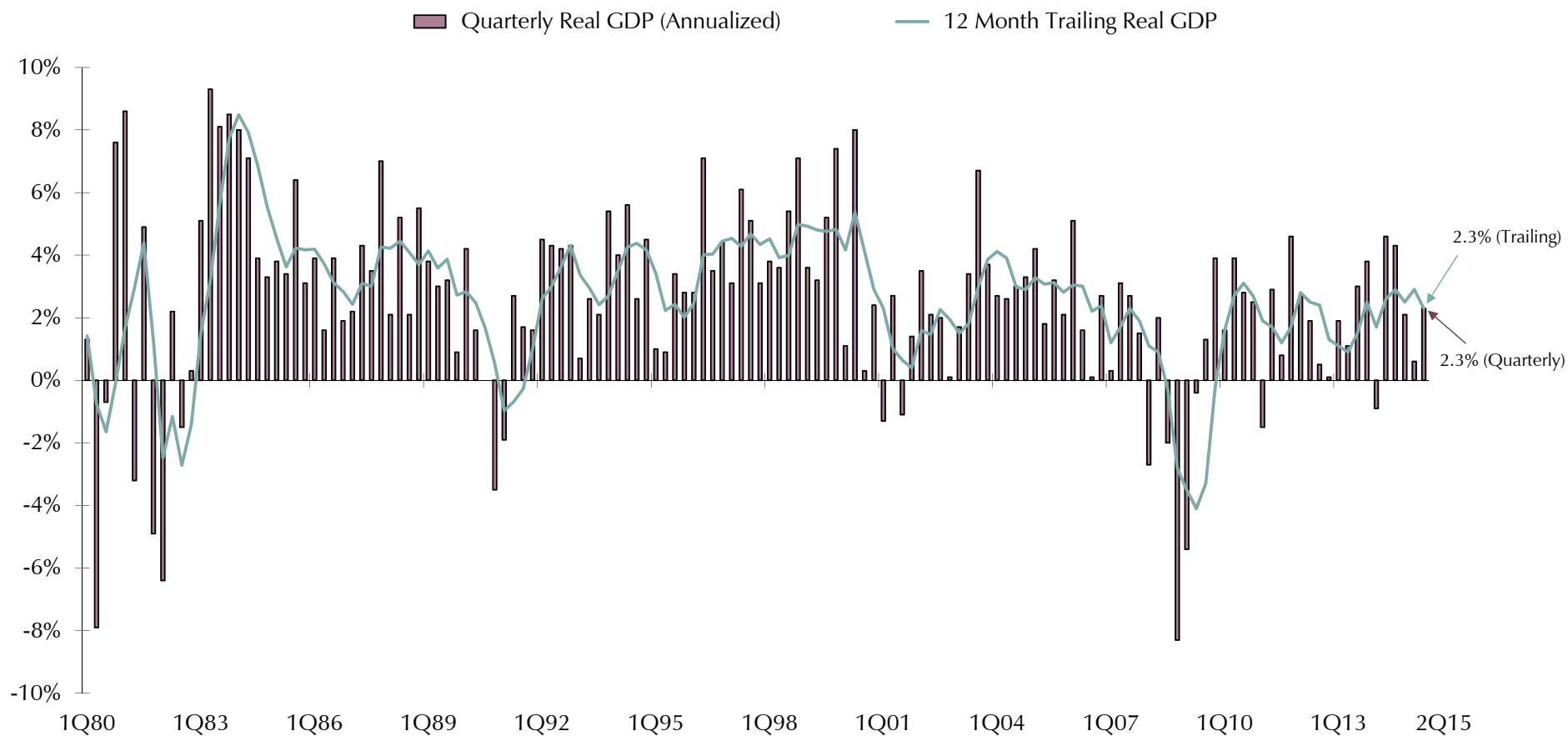


### Credit Spreads vs. U.S. Treasury Bonds



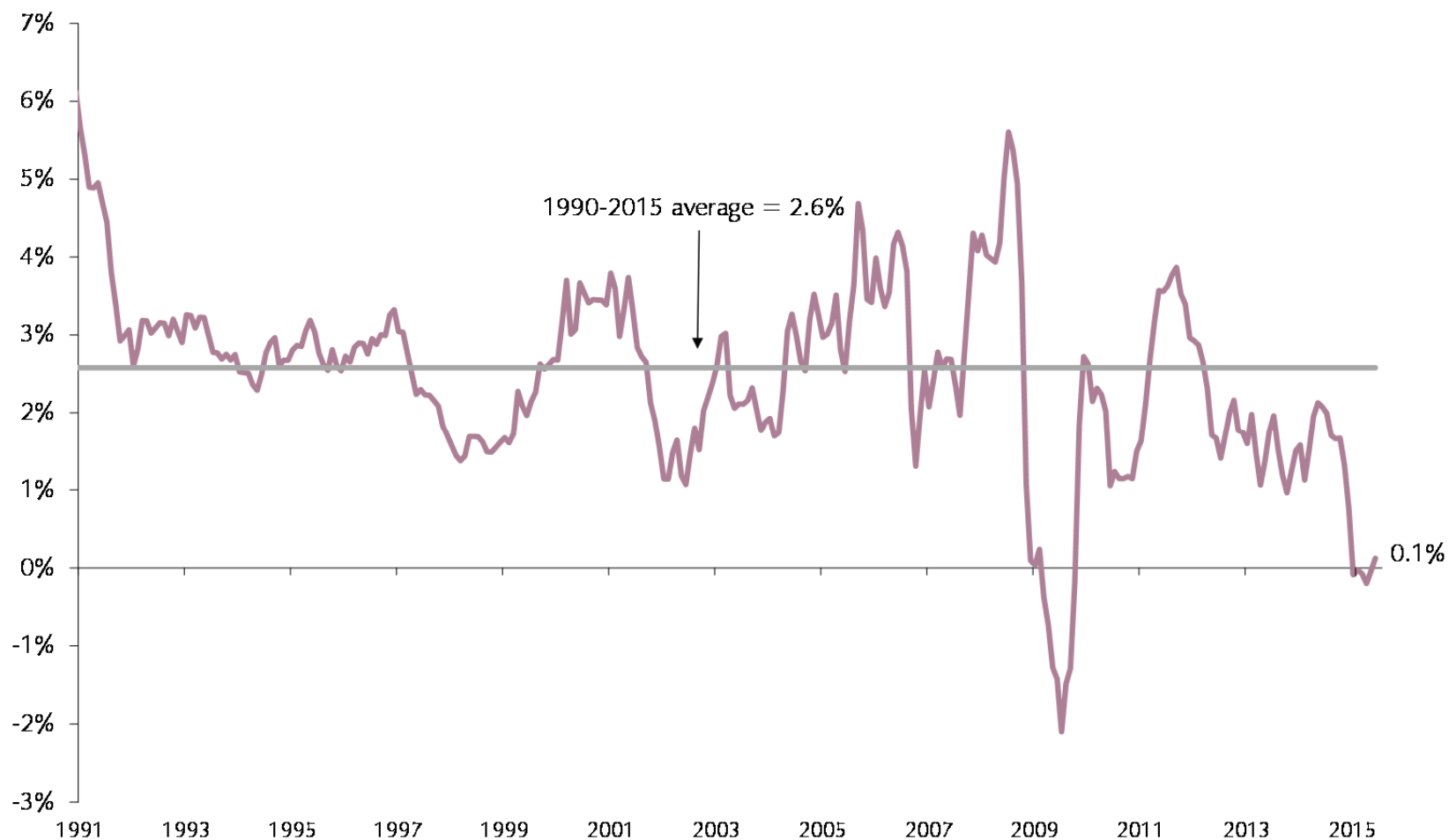
<sup>1</sup> Median high yield spread average was 4.9% from 1997-2015.

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



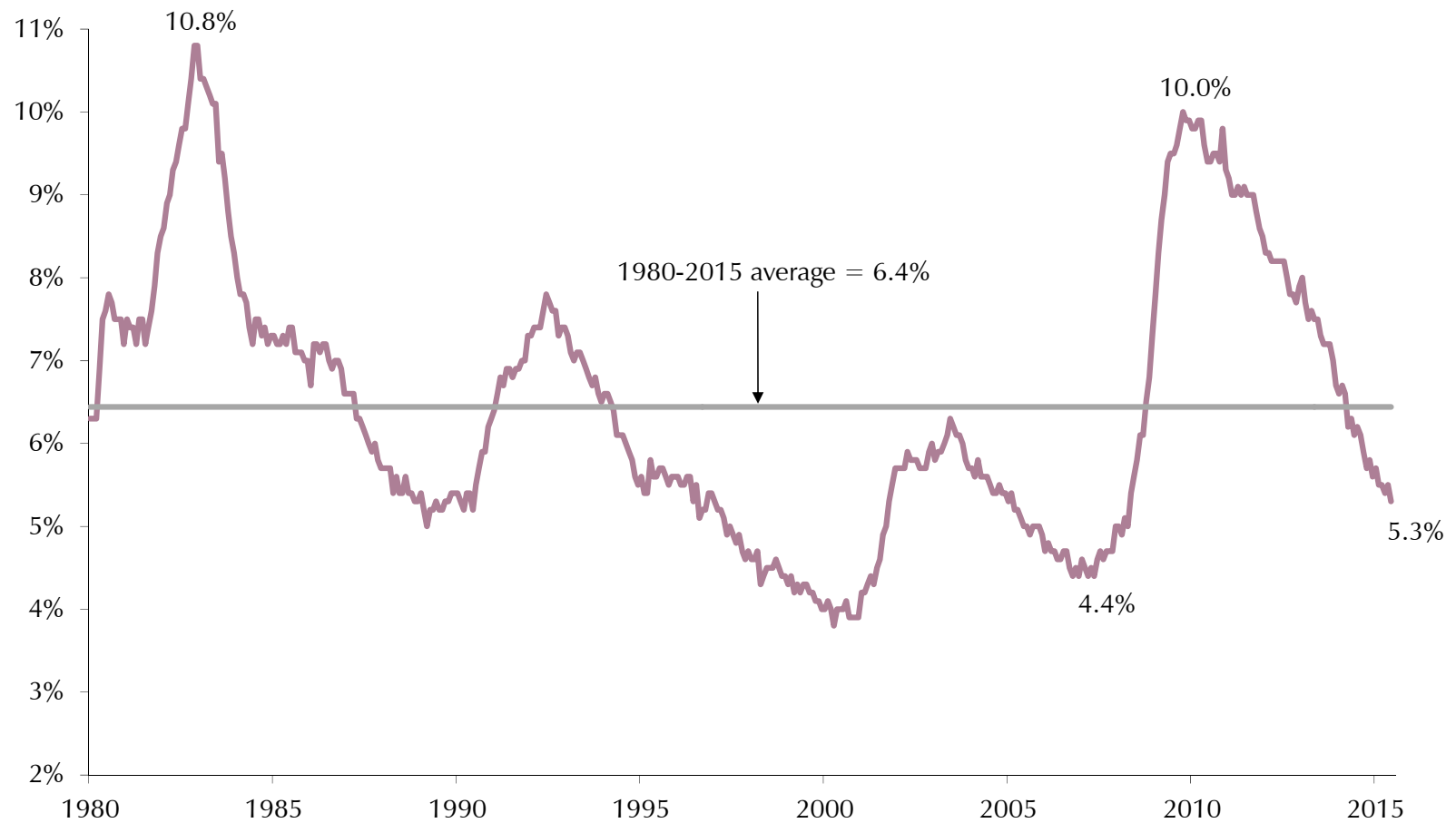
<sup>1</sup> First quarter 2015 GDP was revised upward from -0.2% to +0.6%.

**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 June 30, 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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