

# FUND EVALUATION REPORT

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## San Jose Federated Retiree Health Care 115 Trust

Quarterly Review  
March 31, 2015



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

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

**1. Executive Summary**

- Aggregate Fund Overview
- First Quarter Manager Summary

**2. Fund Summary**

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- The World Markets in the First Quarter of 2015
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**Executive Summary**  
**As of March 31, 2015**

**The value of the San Jose Federated Retiree Health Care Trust was \$112.5 million on March 31, 2015, up from \$105.9 million at the end of 2014.**

- The increase in assets was due to contributions totaling \$5.1 million during the quarter, combined with positive absolute performance.
- First quarter performance for the Health Care Trust was +1.4% net of fees, bringing the trailing one-year return to 0.2% net of fees.
- The Health Care Trust outperformed both the Custom Benchmark and the Policy Benchmark by 110 basis points during the first quarter. Global Equity outperformed the MSCI ACWI IMI Index, and fixed income outperformed the Barclays Global Aggregate Index. Real Assets slightly underperformed the Bloomberg Commodity Index.
- The Board adopted new asset allocation policy targets at the October meeting. The new asset allocation targets and associated benchmark are reflected in this report. The Board also adopted a plan to move toward the Pension Trust's active investment managers in public markets asset classes in late 2014 and early 2015. The Healthcare Trust's cash holdings were elevated at the end of the first quarter, while Staff worked to negotiate investment manager agreements and fund new accounts.

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation <sup>1</sup>	Comments
Vanguard					
Vanguard Developed Markets	Global Equity	---	---	---	
Vanguard Emerging Markets	Global Equity	---	---	---	
Vanguard Russell 3000	Global Equity	---	---	---	
Vanguard Total Bond Market	Fixed Income	---	---	---	
Vanguard TIPS	Fixed Income	---	---	---	
Credit Suisse	Real Assets	Yes	---	Hold	DOL QPAM Exemption
First Quadrant	Real Assets	---	---	---	

### 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.

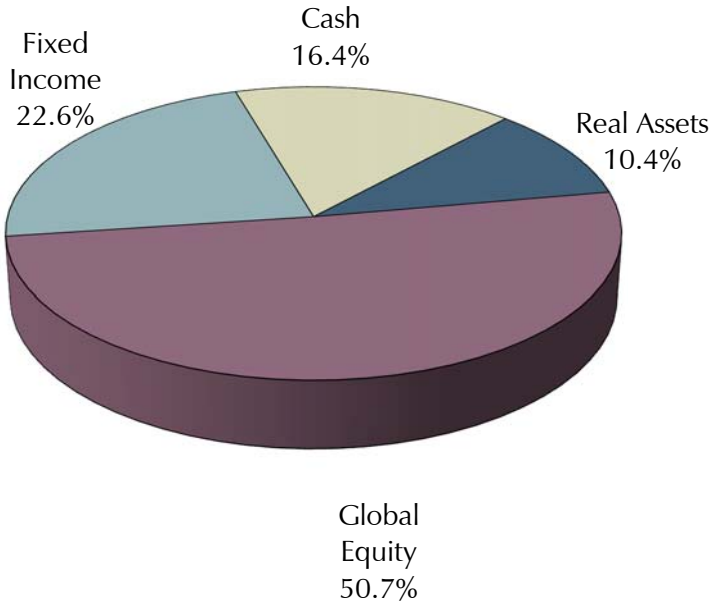
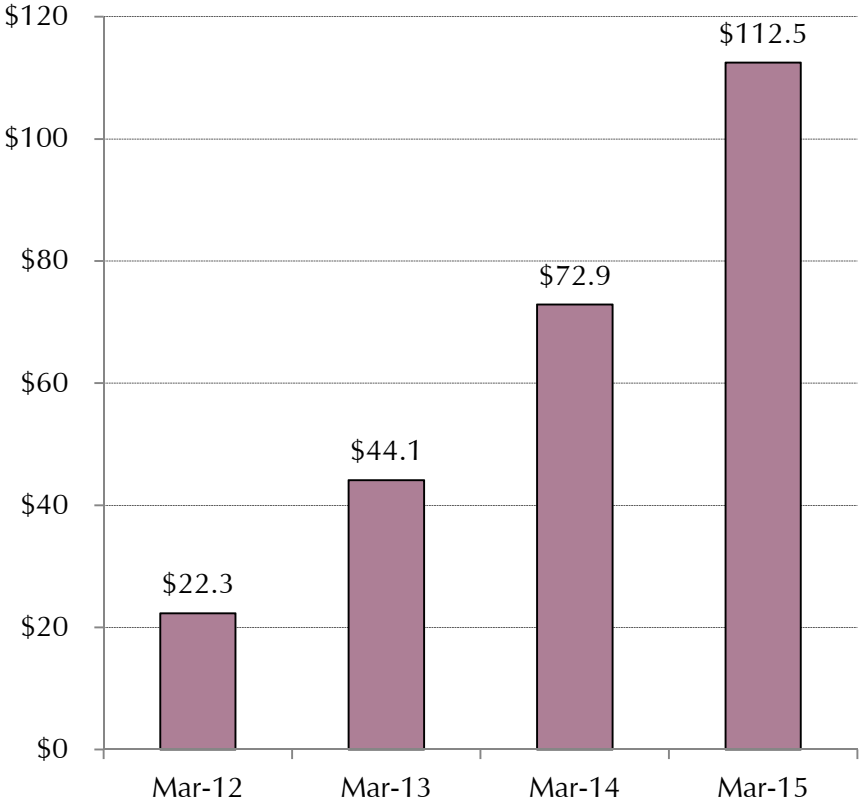
<sup>1</sup> The Meketa Investment Group recommendations are based on organizational or resource changes at each manager.



**Fund Summary**  
**As of March 31, 2015**

**San Jose Federated Retiree Health Care  
115 Trust**

**Aggregate Assets  
as of 3/31/15**





San Jose Federated Retiree Health Care  
115 Trust

Aggregate Assets  
Asset Summary as of 3/31/15

	Market Value 3/31/15 (\$ mm)	% of Health Care Trust	Target Allocation (%)	Target Range (%)	Market Value 12/31/14 (\$ mm)
<b>Total Fund Aggregate</b>	<b>112.5</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>105.9</b>
Global Equity	57.0	50.7	46.7	40-54	55.1
Fixed Income	25.4	22.6	30.3	20-40	25.0
Real Assets	11.7	10.4	23.0	15-30	12.4
Cash	18.5	16.4	0.0	0-5	13.4



San Jose Federated Retiree Health Care  
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Aggregate Assets  
Portfolio Roster as of 3/31/15

	Market Value 3/31/15 (\$ mm)	% of Asset Class	% of Health Care Trust	Target Allocation (%)	Target Range (%)	Market Value 12/31/14 (\$ mm)
<b>Total Fund Aggregate</b>	<b>112.5</b>	<b>NA</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>105.9</b>
<b>Global Equity</b>	<b>57.0</b>	<b>100.0</b>	<b>50.7</b>	<b>46.7</b>	<b>40-54</b>	<b>55.1</b>
Vanguard Developed Markets Index	25.0	43.9	22.2			23.7
Vanguard Russell 3000	22.0	38.6	19.5			21.6
Vanguard Emerging Markets Stock Index	10.0	17.6	8.9			9.8
<b>Fixed Income</b>	<b>25.4</b>	<b>100.0</b>	<b>22.6</b>	<b>30.3</b>	<b>20-40</b>	<b>25.0</b>
<b>Investment Grade Bonds</b>	<b>15.6</b>	<b>61.5</b>	<b>13.9</b>	<b>12.7</b>		<b>15.6</b>
Vanguard Total Bond Market Index	15.6	100.0	13.9			15.4
<b>TIPS</b>	<b>9.7</b>	<b>38.5</b>	<b>8.7</b>	<b>12.7</b>		<b>9.8</b>
Vanguard Short-Term Inflation-Protected Securities	9.7	100.0	8.7			0.0
Vanguard Inflation-Protected Securities	0.0	0.0	0.0			9.7
<b>Real Return Assets</b>	<b>11.7</b>	<b>100.0</b>	<b>10.4</b>	<b>23.0</b>	<b>15-30</b>	<b>12.4</b>
<b>Commodities</b>	<b>11.7</b>	<b>100.0</b>	<b>10.4</b>	<b>6.0</b>		<b>12.0</b>
Credit Suisse Compound Risk Parity Commodity Index	7.4	63.4	6.6			7.8
First Quadrant Risk Parity Commodity Index	4.3	36.6	3.8			4.6
<b>Cash</b>	<b>18.5</b>	<b>100.0</b>	<b>16.4</b>	<b>0.0</b>	<b>0-5</b>	<b>13.4</b>



San Jose Federated Retiree Health Care  
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Aggregate Assets  
Performance as of 3/31/15

	1Q15 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>1.4</b>	<b>-3.5</b>	<b>0.2</b>	<b>5.8</b>	<b>7/1/11</b>	<b>5.7</b>
<i>CPI Medical Care (Inflation)</i>	2.3	3.3	3.8	3.0		3.2
<i>San Jose Healthcare Policy Benchmark<sup>2</sup></i>	0.3	-3.7	0.2	5.8		4.9
<i>San Jose Healthcare Custom Benchmark<sup>3</sup></i>	0.3	-4.4	-0.8	5.6		5.8
Global Equity	3.5	-0.6	4.2	11.4	12/1/11	13.7
<i>MSCI ACWI IMI</i>	2.6	0.3	5.1	11.0		13.5
Fixed Income	1.3	1.8	4.6	1.9	12/1/11	2.1
<i>Barclays Global Aggregate</i>	-1.9	-6.0	-3.7	-0.2		0.3
Real Assets	-6.2	-23.7	-20.6	-9.7	8/1/11	-10.4
<i>Bloomberg Commodity Index</i>	-5.9	-27.1	-27.0	-11.5		-12.9

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

<sup>2</sup> Please see page 7 of the Fund Summary for composition of the San Jose Health Care 115 Trust Policy Benchmark.

<sup>3</sup> Custom Benchmark consists of the individual benchmarks that comprise the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.



San Jose Federated Retiree Health Care  
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Aggregate Assets  
Performance as of 3/31/15

	1Q15 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	Performance Inception Date	Since Inception (%)
<b>Global Equity</b>	<b>3.5</b>	<b>-0.6</b>	<b>4.2</b>	<b>11.4</b>	<b>12/1/11</b>	<b>13.7</b>
Vanguard Developed Markets Index <sup>2</sup>	5.6	-4.9	-0.9	9.0	12/1/11	10.9
<i>Spliced Developed Markets Index<sup>3</sup></i>	5.1	-4.6	-0.5	9.1		11.3
Vanguard Russell 3000	1.8	7.1	12.3	16.3	12/1/11	19.1
<i>Russell 3000</i>	1.8	7.1	12.4	16.4		19.2
Vanguard Emerging Markets Stock Index <sup>2</sup>	2.1	-4.0	3.1	0.6	12/1/11	3.5
<i>Spliced Emerging Markets Index<sup>4</sup></i>	1.9	-4.0	3.3	0.8		4.4
<b>Fixed Income</b>	<b>1.3</b>	<b>1.8</b>	<b>4.6</b>	<b>1.9</b>	<b>12/1/11</b>	<b>2.1</b>
<b>Investment Grade Bonds</b>	<b>1.6</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/15</b>	<b>1.6</b>
Vanguard Total Bond Market Index	1.6	3.6	5.6	3.1	12/1/11	3.2
<i>Barclays Aggregate Float Adjusted Index</i>	1.7	3.6	5.6	3.1		3.3
<b>TIPS</b>	<b>0.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/15</b>	<b>0.8</b>
Vanguard Short-Term Inflation-Protected Securities <sup>5</sup>	NA	NA	NA	NA	3/1/15	-0.4
<i>Barclays U.S. TIPS 0-5 Years</i>	0.4	-2.5	-0.9	-0.4		-0.4

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

<sup>2</sup> Vanguard international equity strategies may temporarily differ from the benchmark due to fair value pricing. Fair value pricing is an adjustment made to prices in the index after the markets close for securities that trade on foreign exchanges.

<sup>3</sup> The Vanguard Spliced Developed Markets Index reflects the performance of the MSCI EAFE Index through May 28, 2013; and the FTSE Developed ex North America Index thereafter.

<sup>4</sup> The Vanguard Spliced Emerging Markets Index reflects the performance of the MSCI Emerging Markets Index through January 9, 2013; the FTSE Emerging Transition Index through June 27, 2013; and the FTSE Emerging Index thereafter.

<sup>5</sup> Vanguard Inflation-Protected Securities was liquidated in February 2015 and proceeds from the transaction were used to fund Vanguard Short-Term Inflation-Protected Securities.



San Jose Federated Retiree Health Care  
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Aggregate Assets  
Performance as of 3/31/15

	1Q15 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	Performance Inception Date	Since Inception (%)
<b>Real Assets</b>	<b>-6.2</b>	<b>-23.7</b>	<b>-20.6</b>	<b>-9.7</b>	<b>8/1/11</b>	<b>-10.4</b>
<b>Commodities</b>	<b>-6.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/15</b>	<b>-6.2</b>
Credit Suisse Compound Risk Parity Commodity Index	-5.1	-22.0	-19.0	-7.6	8/1/11	-8.4
<i>Custom Risk Parity Commodity Benchmark<sup>2</sup></i>	-5.1	-22.3	-19.2	-7.8		-8.6
<i>Bloomberg Commodity Index</i>	-5.9	-27.1	-27.0	-11.5		-12.9
First Quadrant Risk Parity Commodity Index	-8.1	-26.5	-22.7	-11.4	8/1/11	-12.1
<i>Custom Risk Parity Commodity Benchmark<sup>2</sup></i>	-5.1	-22.3	-19.2	-7.8		-8.6
<i>Bloomberg Commodity Index</i>	-5.9	-27.1	-27.0	-11.5		-12.9

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

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



**San Jose Federated Retiree Health Care  
115 Trust**

**Aggregate Assets  
Performance as of 3/31/15**

<b>Time Period</b>	<b>%</b>	<b>Composition</b>
1/1/2015-Present	46.7	MSCI ACWI IMI
	30.3	Barclays Global Aggregate
	6.0	Bloomberg Commodity Index
	5.0	S&P Global Natural Resources
	5.0	DJ Brookfield Global Infrastructure
	7.0	NCREIF ODCE Equal Weight Net
7/1/2011-12/31/2014	26.5	Russell 3000
	26.5	MSCI EAFE
	6	MSCI Emerging Markets
	1	Barclays Aggregate Float Adjusted
	12	Barclays U.S. TIPS
	13	Custom Risk Parity Benchmark <sup>1</sup>

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



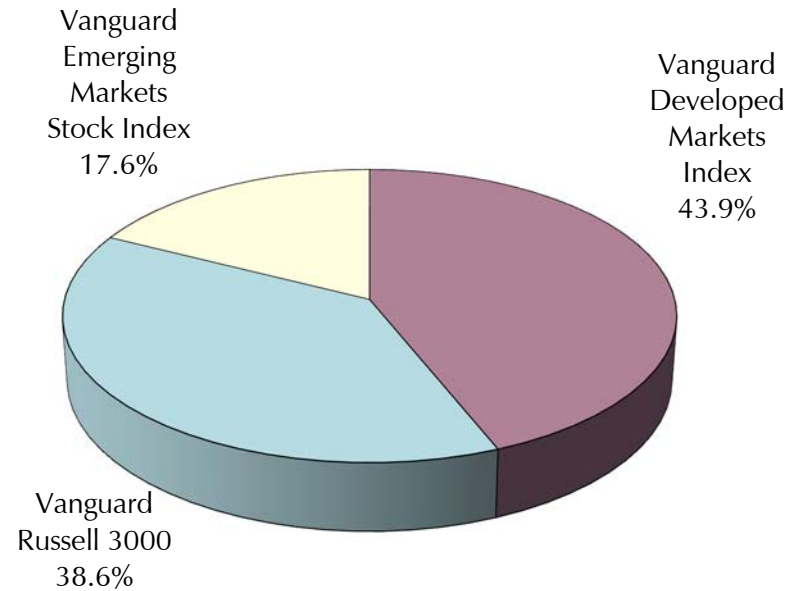
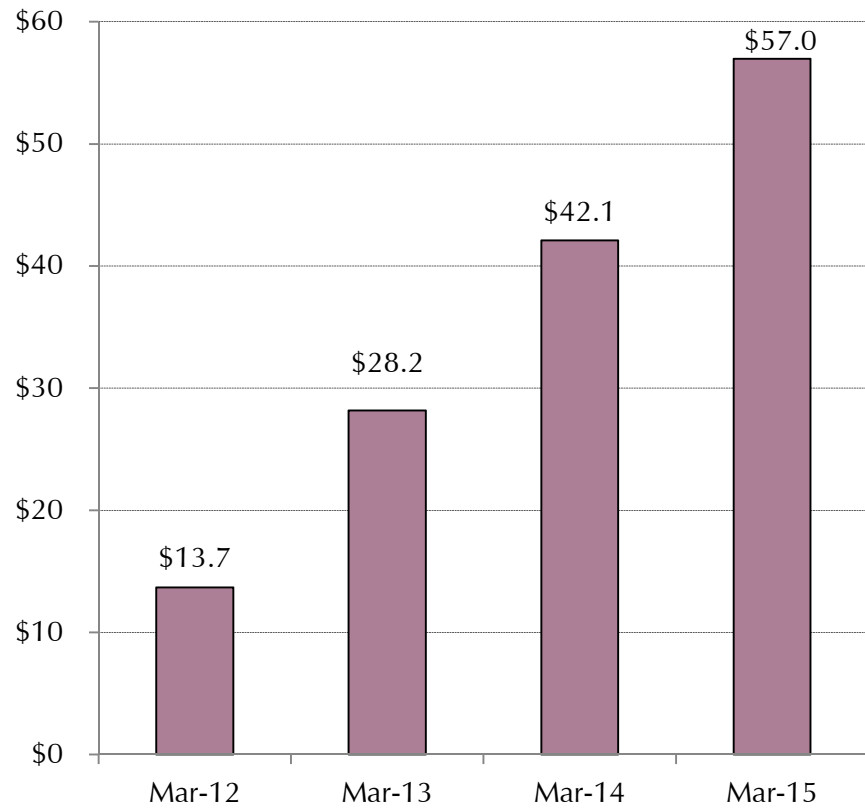
## Fund Detail

**Global Equity Assets  
As of March 31, 2015**



## San Jose Federated Retiree Health Care 115 Trust

## Global Equity Assets as of 3/31/15



**San Jose Federated Retiree Health Care  
115 Trust**

**Global Equity Assets  
Risk as of 3/31/15**

<b>Risk: (forty months)</b>	<b>Aggregate Global Equity 3/31/15</b>	<b>MSCI ACWI IMI 3/31/15</b>
Annualized Return (%)	13.7	13.5
Standard Deviation (%)	12.4	12.1
Best Monthly Return (%)	6.0	6.1
Worst Monthly Return (%)	-8.8	-9.0
Beta	1.01	1.00
Correlation to Index	0.99	1.00
Correlation to Total Fund Return	0.98	NA
Sharpe Measure (risk-adjusted return)	1.11	1.12
Information Ratio	0.13	NA

**San Jose Federated Retiree Health Care  
115 Trust**

**Global Equity Assets  
Characteristics as of 3/31/15**

	<b>Aggregate Global Equity 3/31/15</b>	<b>MSCI ACWI IMI 3/31/15</b>	<b>Aggregate Global Equity 12/31/14</b>
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	70.7	76.0	69.2
Median Market Cap. (US\$ billion)	3.0	1.4	2.9
Large (% over US\$20 billion)	62	62	62
Medium (% US\$3 billion to US\$20 billion)	32	29	32
Small (% under US\$3 billion)	6	9	6
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	19	19	18
Price-Book Value Ratio	2.0	1.9	2.0
Dividend Yield (%)	2.5	2.3	2.5
Historical Earnings Growth Rate (%)	10	11	11
Projected Earnings Growth Rate (%)	11	11	11

**San Jose Federated Retiree Health Care  
115 Trust**

**Global Equity Assets  
Diversification as of 3/31/15**

<b>Diversification:</b>	<b>Aggregate Global Equity 3/31/15</b>	<b>MSCI ACWI IMI 3/31/15</b>	<b>Aggregate Global Equity 12/31/14</b>
Number of Holdings	5,437	8,541	5,420
% in 5 largest holdings	4	5	4
% in 10 largest holdings	7	7	7

<b>Largest Five Holdings:</b>	<b>% of Portfolio</b>	<b>Economic Sector</b>
Apple	1.3	Technology Equipment
Nestle	0.7	Food, Beverage & Tobacco
Novartis	0.7	Pharmaceuticals & Biotech.
ExxonMobil	0.6	Energy
Roche	0.6	Pharmaceuticals & Biotech.



**San Jose Federated Retiree Health Care  
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**Global Equity Assets  
Sector Allocation as of 3/31/15**

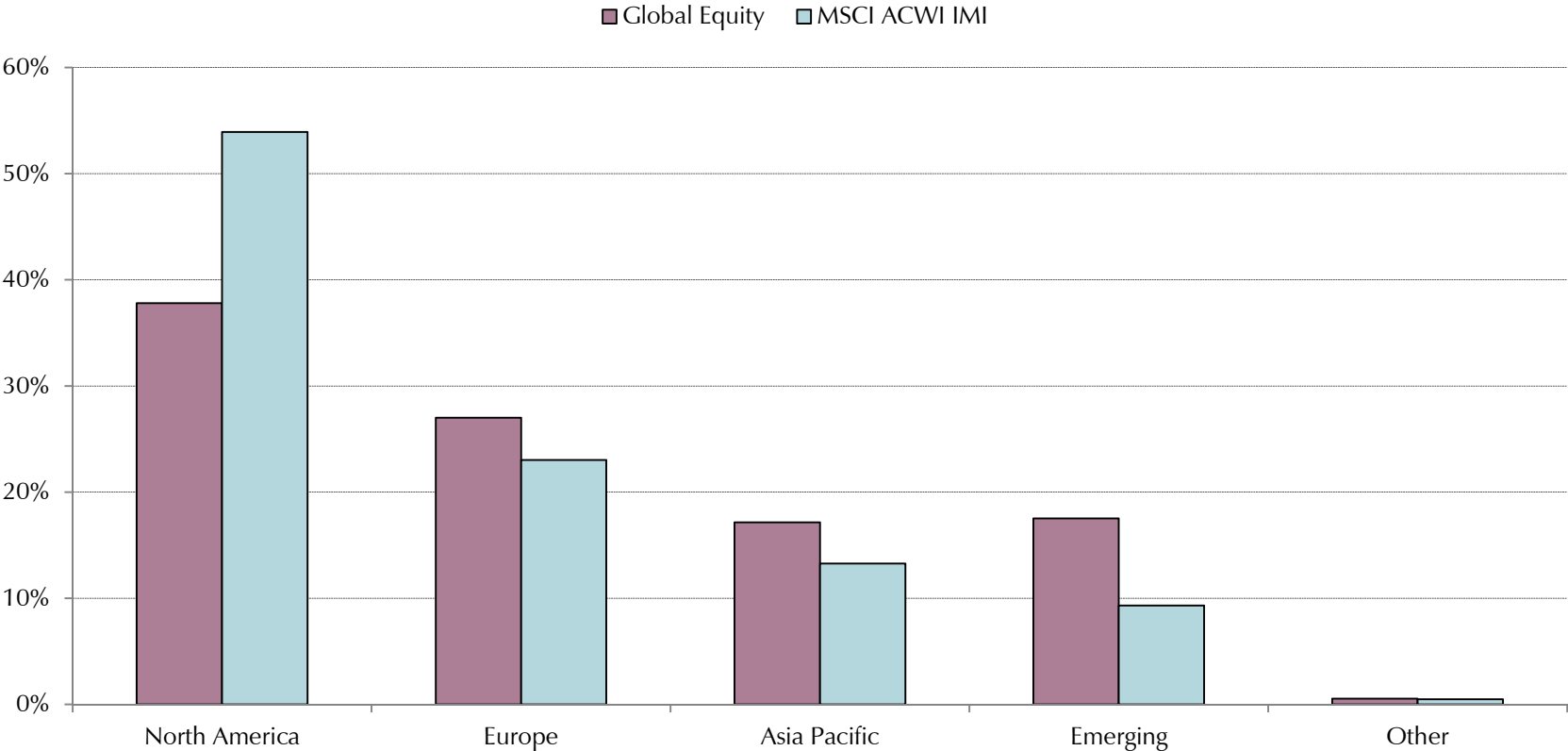
<b>Sector Allocation (%):</b>	<b>Aggregate Global Equity 3/31/15</b>	<b>MSCI ACWI IMI 3/31/15</b>	<b>Aggregate Global Equity 12/31/14</b>
Financials	23	22	23
Telecommunication Services	4	3	4
Consumer Staples	9	9	10
Materials	6	6	6
Utilities	3	3	4
Industrials	11	11	11
Energy	7	7	7
Consumer Discretionary	12	13	12
Health Care	11	12	10
Information Technology	13	14	12



San Jose Federated Retiree Health Care  
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Global Equity Assets  
Country & Region Breakdown as of 3/31/15

	Aggregate Global Equity 3/31/15 (%)	MSCI ACWI IMI 3/31/15 (%)		Aggregate Global Equity 3/31/15 (%)	MSCI ACWI IMI 3/31/15 (%)
<b>North America</b>	<b>37.8</b>	<b>53.9</b>	<b>Emerging</b>	<b>17.5</b>	<b>9.3</b>
United States of America	37.8	50.7	China	2.8	1.3
<b>Europe</b>	<b>27.0</b>	<b>23.0</b>	India	2.2	0.8
United Kingdom	7.3	6.4	Taiwan	2.5	1.4
Switzerland	4.1	3.3	South Africa	1.7	0.8
Germany	3.8	3.1	Brazil	1.5	0.7
France	3.6	2.9	South Korea	1.8	1.6
Netherlands	1.9	1.6	<b>Other</b>	<b>0.5</b>	<b>0.5</b>
Spain	1.4	1.2			
Sweden	1.3	1.1			
<b>Asia Pacific</b>	<b>17.1</b>	<b>13.3</b>			
Japan	10.0	8.0			
Hong Kong	3.4	2.1			
Australia	3.1	2.4			

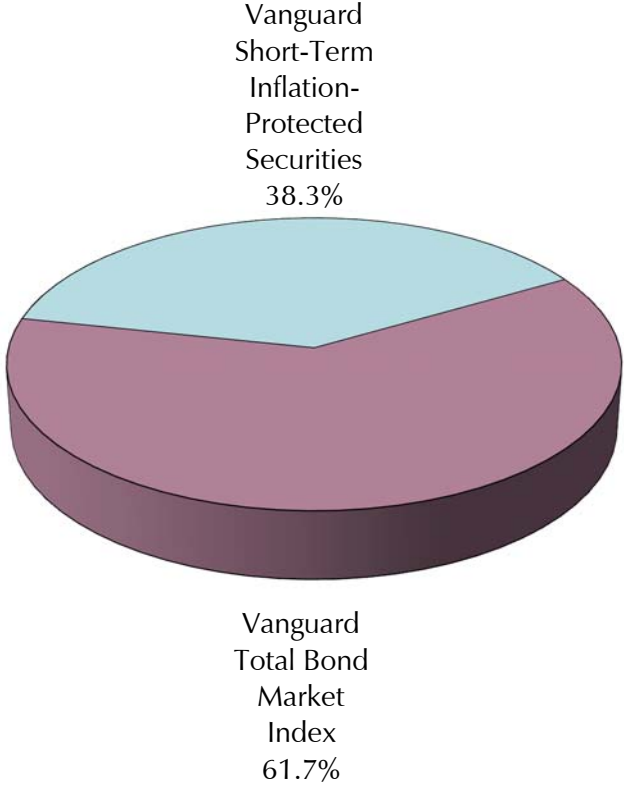
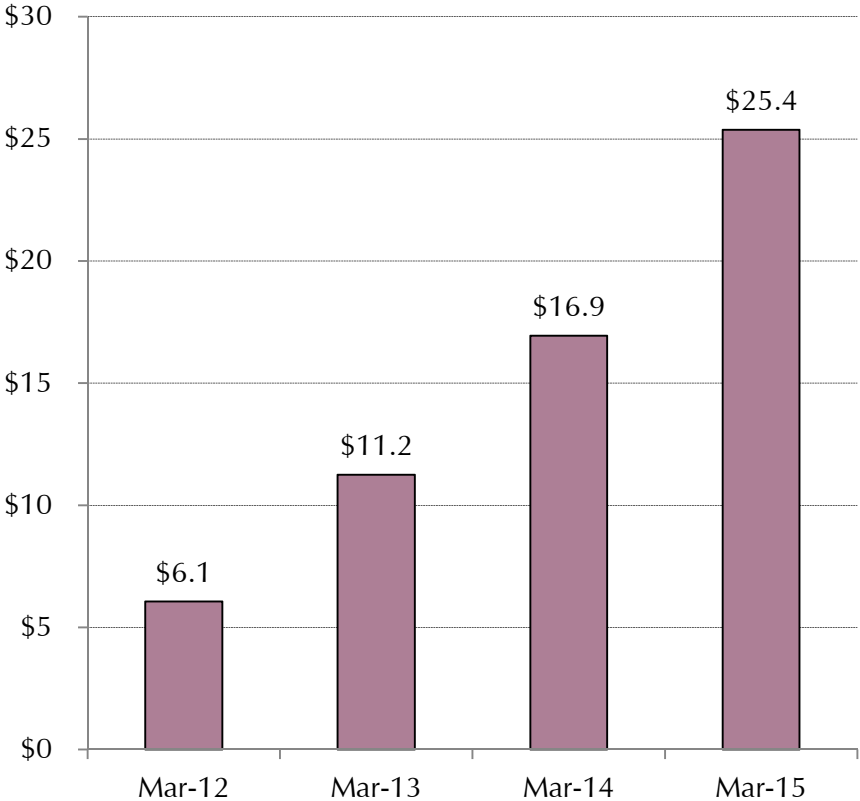


**Fixed Income Assets  
As of March 31, 2015**



San Jose Federated Retiree Health Care  
115 Trust

Fixed Income Assets  
as of 3/31/15



**San Jose Federated Retiree Health Care  
115 Trust**

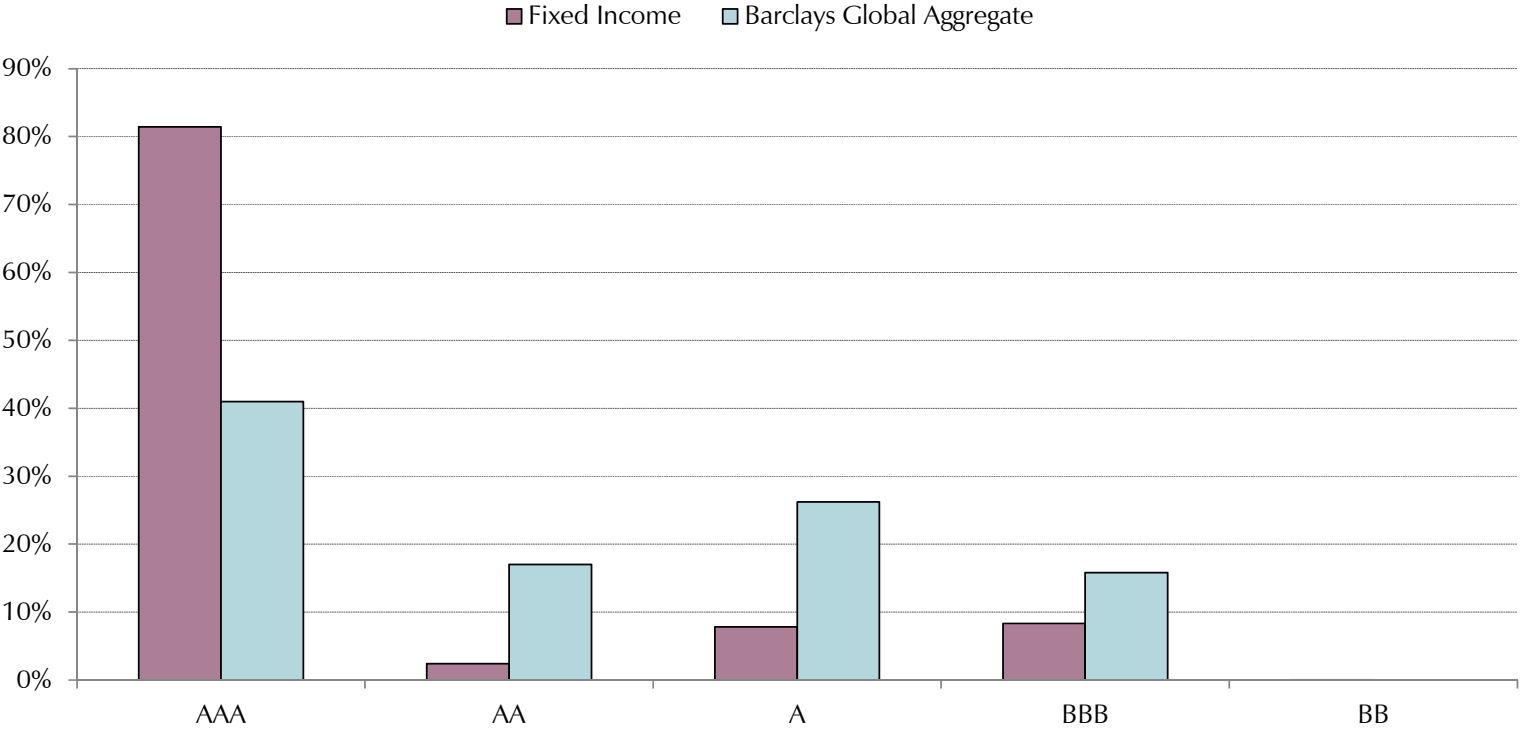
**Fixed Income Assets  
Risk as of 3/31/15**

	<b>Aggregate Fixed Income 3/31/15</b>	<b>Barclays Global Aggregate 3/31/15</b>
<b>Risk: (forty months)</b>		
Annualized Return (%)	2.1	0.3
Standard Deviation (%)	4.0	3.9
Best Monthly Return (%)	2.6	2.1
Worst Monthly Return (%)	-2.8	-3.0
Beta	0.70	1.00
Correlation to Index	0.69	1.00
Correlation to Total Fund Return	0.17	NA
Sharpe Measure (risk-adjusted return)	0.51	0.06
Information Ratio	Neg.	NA

**San Jose Federated Retiree Health Care  
115 Trust**

**Fixed Income Assets  
Characteristics as of 3/31/15**

<b>Duration &amp; Yield:</b>	<b>Aggregate Fixed Income 3/31/15</b>	<b>Barclays Global Aggregate 3/31/15</b>	<b>Aggregate Fixed Income 12/31/14</b>
Average Effective Duration (years)	4.3	6.6	6.4
Yield to Maturity (%)	1.6	1.4	2.0



**San Jose Federated Retiree Health Care  
115 Trust**

**Fixed Income Assets  
Diversification as of 3/31/15**

	<b>Aggregate Fixed Income 3/31/15</b>	<b>Barclays Global Aggregate 3/31/15</b>	<b>Aggregate Fixed Income 12/31/14</b>
<b>Market Allocation (%):</b>			
United States	95	38	95
Foreign (developed markets)	4	56	4
Foreign (emerging markets)	1	6	1
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	55	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	25	15	27
U.S. Treasury-TIPS	38	0	38
U.S. Agency	2	1	2
Mortgage Backed	12	12	8
Corporate	16	18	16
Bank Loans	0	0	0
Local & Provincial Government	0	3	0
Sovereign & Supranational	4	47	4
Commercial Mortgage Backed	1	1	1
Asset Backed	0	0	0
Cash Equivalent	0	0	0
Other	0	3	3

**Portfolio Reviews**  
**As of March 31, 2015**

Global Equity Portfolio Reviews  
As of March 31, 2015

## San Jose Federated Retiree Health Care 115 Trust

## Vanguard Developed Markets Index Portfolio Detail as of 3/31/15

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$25.0 million  
**Portfolio Manager:** Duane Kelly  
 Michael Perre  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VTMNX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
 0.07% on all assets

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The Vanguard Developed Markets Index Fund seeks to track the performance of the FTSE Developed (ex. North America) index, which measures the investment return of stocks issued by companies located in the major markets of Europe and the Pacific Region. The fund employs a passive management investment approach by investing all, or substantially all, of its assets in the common stocks included in the index.

Performance (%):	1Q15	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 12/1/11
<b>Vanguard Developed Markets Index</b>	<b>5.6</b>	<b>-4.9</b>	<b>-0.9</b>	<b>9.0</b>	<b>10.9</b>
Spliced Developed Markets Index <sup>2</sup>	5.1	-4.6	-0.5	9.1	11.3
Risk: (forty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Vanguard Developed Markets Index</b>	<b>14.5%</b>	<b>1.01</b>	<b>0.75</b>	<b>NA</b>	<b>0.99</b>
Spliced Developed Markets Index	14.3	1.00	0.78	NA	1.00

	3/31/15		12/31/14	
	Vanguard Developed Markets	FTSE Dev ex. North America	Vanguard Developed Markets	FTSE Dev ex. North America
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	56.1	56.2	54.6	54.6
Median Market Cap. (US\$ billion)	6.0	6.0	5.7	5.7
Large (% over US\$20 billion)	63	63	63	63
Medium (% US\$3 billion to US\$20 billion)	34	34	33	33
Small (% under US\$3 billion)	3	3	3	4
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	19	19	17	17
Price-Book Value Ratio	1.7	1.6	1.6	1.6
Dividend Yield (%)	2.8	2.8	2.9	2.9
Historical Earnings Growth Rate (%)	7	7	8	8
Projected Earnings Growth Rate (%)	9	9	10	10
<b>Sector Allocation (%):</b>				
Consumer Discretionary	14	14	13	13
Industrials	13	13	13	13
Health Care	11	11	11	11
Energy	5	5	5	5
Information Technology	6	6	6	6
Financials	25	25	25	25
Utilities	3	3	4	4
Telecommunication Services	4	4	5	5
Consumer Staples	11	11	11	11
Materials	8	8	8	8
<b>Diversification:</b>				
Number of Holdings	1,392	1,376	1,397	1,385
% in 5 largest holdings	7	7	7	7
% in 10 largest holdings	11	11	12	12
<b>Region Allocation (%):</b>				
North America	0	0	0	0
Europe	60	61	61	61
Asia Pacific	35	34	34	34
Emerging	4	4	4	4
Other	1	1	1	1
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Nestle	1.7	Food, Beverage & Tobacco		
Novartis	1.6	Pharmaceuticals & Biotech.		
Roche	1.4	Pharmaceuticals & Biotech.		
Toyota Motor	1.3	Automobiles & Components		
HSBC	1.1	Banks		

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

<sup>2</sup> MSCI EAFE Index through May 28, 2013; and the FTSE Developed ex North America Index thereafter.



# San Jose Federated Retiree Health Care 115 Trust

# Vanguard Russell 3000 Portfolio Detail as of 3/31/15

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$22.0 million  
**Portfolio Manager:** Jeffrey D. Miller  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VRTTX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.08% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
Vanguard Russell 3000 Index Fund seeks to track the investment performance of the Russell 3000 index, an unmanaged benchmark representing the broad U.S. equity market. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting within the index. Vanguard's Quantitative Equity Group manages the fund.

Performance (%):	1Q15	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 12/1/11
<b>Vanguard Russell 3000</b>	<b>1.8</b>	<b>7.1</b>	<b>12.3</b>	<b>16.3</b>	<b>19.1</b>
Russell 3000	1.8	7.1	12.4	16.4	19.2

Risk: (forty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Vanguard Russell 3000</b>	<b>11.4%</b>	<b>1.00</b>	<b>1.67</b>	<b>NA</b>	<b>1.00</b>
Russell 3000	11.4	1.00	1.68	NA	1.00

Capitalization Structure:	3/31/15		12/31/14	
	Vanguard Russell 3000	Russell 3000	Vanguard Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	103.6	103.5	102.4	102.4
Median Market Cap. (US\$ billion)	1.5	1.5	1.5	1.5
Large (% over US\$20 billion)	69	69	69	69
Medium (% US\$3 billion to US\$20 billion)	24	24	24	24
Small (% under US\$3 billion)	7	7	7	7

Fundamental Structure:	3/31/15	12/31/14	3/31/15	12/31/14
Price-Earnings Ratio	20	20	20	20
Price-Book Value Ratio	2.5	2.5	2.6	2.6
Dividend Yield (%)	1.9	1.9	1.8	1.8
Historical Earnings Growth Rate (%)	13	13	13	13
Projected Earnings Growth Rate (%)	11	11	12	12

Sector Allocation (%):	3/31/15	12/31/14	3/31/15	12/31/14
Information Technology	19	19	19	19
Financials	18	18	18	18
Energy	7	7	7	8
Consumer Staples	8	8	9	9
Telecommunication Services	2	2	2	2
Utilities	3	3	3	3
Industrials	11	11	11	11
Materials	4	4	4	4
Health Care	15	15	14	14
Consumer Discretionary	13	13	13	13

Diversification:	3/31/15	12/31/14	3/31/15	12/31/14
Number of Holdings	3,043	3,013	3,063	3,051
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	14	14	14	14

Region Allocation (%):	3/31/15	12/31/14	3/31/15	12/31/14
North America	98	98	98	98
Europe	1	1	2	1
Asia Pacific	0	0	0	0
Emerging	0	0	0	0
Other	1	1	1	1

Largest Five Holdings:	3/31/15	Industry
Apple	3.3	Technology Equipment
ExxonMobil	1.6	Energy
Microsoft	1.5	Software & Services
Johnson & Johnson	1.2	Pharmaceuticals & Biotech.
Berkshire Hathaway	1.2	Diversified Financials

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





## San Jose Federated Retiree Health Care 115 Trust

## Vanguard Emerging Markets Stock Index Portfolio Detail as of 3/31/15

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$10.0 million  
**Portfolio Manager:** Michael Perre  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VEMAX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.15% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Vanguard Emerging Markets Stock Index strategy seeks to replicate the characteristics and returns of the FTSE Emerging Markets index, a broad index of stocks issued by companies located in emerging markets around the world.

Performance (%):	1Q15	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 12/1/11
<b>Vanguard Emerging Markets Stock Index</b>	<b>2.1</b>	<b>-4.0</b>	<b>3.1</b>	<b>0.6</b>	<b>3.5</b>
Spliced Emerging Markets Index <sup>2</sup>	1.9	-4.0	3.3	0.8	4.4
Risk: (forty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Vanguard Emerging Markets Stock Index</b>	<b>15.9%</b>	<b>1.01</b>	<b>0.22</b>	<b>NA</b>	<b>0.99</b>
Spliced Emerging Markets Index	15.7	1.00	0.28	NA	1.00

	3/31/15		12/31/14	
	Vanguard EM Index	FTSE Emerging Index	Vanguard EM Index	FTSE Emerging Index
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	34.9	34.9	31.3	31.2
Median Market Cap. (US\$ billion)	3.9	3.7	4.0	3.8
Large (% over US\$20 billion)	43	43	42	42
Medium (% US\$3 billion to US\$20 billion)	47	47	48	48
Small (% under US\$3 billion)	10	10	10	10
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	16	16	14	14
Price-Book Value Ratio	1.6	1.6	1.6	1.5
Dividend Yield (%)	2.8	2.8	2.9	2.9
Historical Earnings Growth Rate (%)	12	13	12	13
Projected Earnings Growth Rate (%)	14	14	13	13
<b>Sector Allocation (%):</b>				
Financials	31	31	32	32
Industrials	7	7	7	7
Consumer Discretionary	8	8	8	8
Information Technology	15	15	14	13
Consumer Staples	8	8	9	8
Health Care	3	3	3	2
Telecommunication Services	8	8	8	8
Utilities	4	4	4	4
Materials	8	8	8	8
Energy	9	9	9	9
<b>Diversification:</b>				
Number of Holdings	1,003	939	960	909
% in 5 largest holdings	10	11	9	10
% in 10 largest holdings	16	17	15	16
<b>Region Allocation (%):</b>				
Asia Pacific	54	54	54	53
Latin America	16	16	19	19
Europe/MidEast/Africa	19	19	17	18
Frontier	0	0	0	0
Other	11	11	9	9
<b>Largest Five Holdings:</b>				
				<b>Industry</b>
Tencent Holdings	2.9			Software & Services
China Mobile	2.0			Telecom Services
Taiwan Semiconductor	1.8			Semiconductors
China Construction Bank	1.7			Banks
Naspers	1.6			Media

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

<sup>2</sup> MSCI Emerging Markets Index through January 9, 2013; FTSE Emerging Transition Index from January 10, 2013 through July 3, 2013; FTSE Emerging Index thereafter.



**Fixed Income Portfolio Reviews**  
**As of March 31, 2015**

## San Jose Federated Retiree Health Care 115 Trust

## Vanguard Total Bond Market Index Portfolio Detail as of 3/31/15

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$15.6 million  
**Portfolio Manager:** Gregory Davis, CFA  
 Kenneth Volpert, CFA  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VBTIX)

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.07% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Vanguard Total Bond Market Index portfolio is structured to mirror the Barclays U.S. Aggregate index, a broad basket consisting mainly of U.S. government, mortgage-backed, and investment-grade corporate fixed income securities. Vanguard passively manages the strategy using index sampling to create an intermediate-duration portfolio that provides moderate income while maintaining high credit quality.

Performance (%):	1Q15	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 12/1/11
<b>Vanguard Total Bond Market Index</b>	<b>1.6</b>	<b>3.6</b>	<b>5.6</b>	<b>3.1</b>	<b>3.2</b>
Barclays Aggregate Float Adjusted Index	1.7	3.6	5.6	3.1	3.3

Risk: (forty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Vanguard Total Bond Market Index</b>	<b>3.0%</b>	<b>1.02</b>	<b>1.03</b>	<b>NA</b>	<b>1.00</b>
Barclays Aggregate Float Adjusted Index	3.0	1.00	1.08	NA	1.00

	3/31/15		12/31/14	
	Vguard Total Bond Mkt Index	Barclays Agg Float Adjusted Index	Vguard Total Bond Mkt Index	Barclays Agg Float Adjusted Index
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	5.6	5.6	5.5	5.7
Yield to Maturity (%)	2.0	2.0	2.1	2.2
<b>Quality Structure (%):</b>				
Average Quality	AA+	AA+	AA+	AA+
AAA (includes Treasuries and Agencies)	70	68	69	69
AA	4	5	4	5
A	13	13	13	13
BBB	14	14	14	13
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	41	40	42	40
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	3	3	4	3
Mortgage Backed	20	20	13	21
Corporate	26	26	27	26
Bank Loans	0	0	0	0
Local & Provincial Government	0	1	0	1
Sovereign & Supranational	7	5	7	5
Commercial Mortgage Backed	2	2	2	2
Asset Backed	1	1	1	1
Cash Equivalent	0	0	0	0
Other	0	0	5	0
<b>Market Allocation (%):</b>				
United States	92	90	92	90
Foreign (developed markets)	6	8	6	8
Foreign (emerging markets)	2	3	2	3
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0

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



## San Jose Federated Retiree Health Care 115 Trust

## Vanguard Short-Term Inflation-Protected Securities Portfolio Detail as of 3/31/15

**Mandate:** TIPS  
**Active/Passive:** Passive  
**Market Value:** \$9.7 million  
**Portfolio Manager:** Gemma Wright-Casparius  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 3/1/2015  
**Account Type:** Mutual Fund (VTSPX)

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.07% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The fund seeks to track an index that measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of less than five years. It is designed to generate returns more closely correlated with realized inflation over the near term, and to offer investors the potential for less volatility of returns relative to a longer-duration TIPS fund. The fund invests in bonds that are backed by the full faith and credit of the federal government and whose principal is adjusted semiannually based on inflation.

Performance (%):	1Q15	Fiscal YTD <sup>1</sup>	Since 3/1/15
<b>Vanguard Short-Term Inflation-Protected Securities<sup>2</sup></b>	NA	NA	-0.4
Barclays U.S. TIPS 0-5 Years	0.4	-2.5	-0.4

	3/31/15	
	Vanguard Short-Term TIPS	Barclays U.S. TIPS 0-5 Years
<b>Duration &amp; Yield:</b>		
Average Effective Duration (years)	2.3	1.5
Yield to Maturity (%) <sup>2</sup>	1.0	0.5
<b>Quality Structure (%):</b>		
Average Quality	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100
AA	0	0
A	0	0
BBB	0	0
BB	0	0
B	0	0
Below B	0	0
Non-Rated	0	0
<b>Sector Allocation (%):</b>		
U.S. Treasury-Nominal	0	0
U.S. Treasury-TIPS	100	100
U.S. Agency	0	0
Mortgage Backed	0	0
Corporate	0	0
Bank Loans	0	0
Local & Provincial Government	0	0
Sovereign & Supranational	0	0
Commercial Mortgage Backed	0	0
Asset Backed	0	0
Cash Equivalent	0	0
Other	0	0
<b>Market Allocation (%):</b>		
United States	100	100
Foreign (developed markets)	0	0
Foreign (emerging markets)	0	0
<b>Currency Allocation (%):</b>		
Non-U.S. Dollar Exposure	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.



**Real Assets Portfolio Reviews  
As of March 31, 2015**

# San Jose Federated Retiree Health Care 115 Trust

# Credit Suisse Compound Risk Parity Commodity Index Portfolio Detail as of 3/31/15

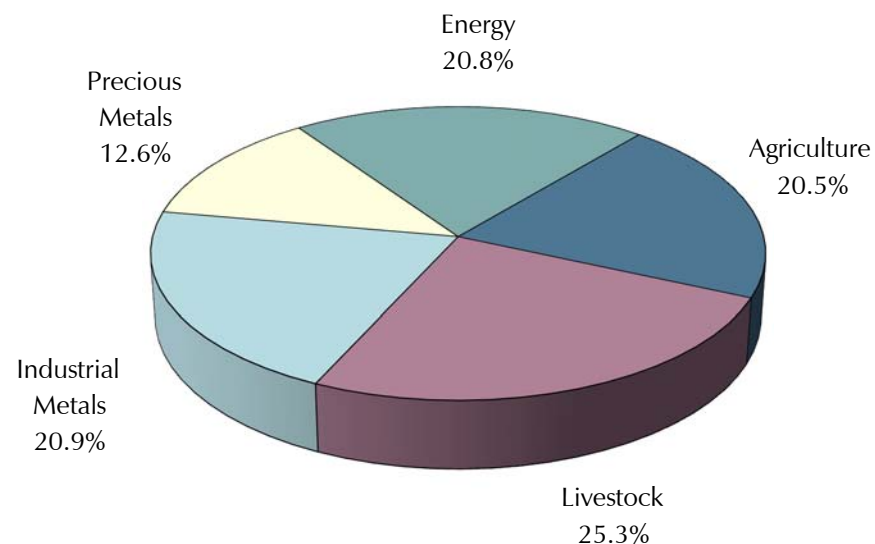
**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$7.4 million  
**Portfolio Manager:** Christopher A. Burton  
**Location:** New York, New York  
**Inception Date:** 8/1/2011  
**Account Type:** Commingled

**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.

**Current Allocation:**



Performance (%):	1Q15	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 8/1/11
<b>CS Compound Risk Parity Commodity Index</b>	<b>-5.1</b>	<b>-22.0</b>	<b>-19.0</b>	<b>-7.6</b>	<b>-8.4</b>
Custom Risk Parity Commodity Benchmark <sup>2</sup>	-5.1	-22.3	-19.2	-7.8	-8.6
Bloomberg Commodity Index	-5.9	-27.1	-27.0	-11.5	-12.9

Risk: (forty-four months)	Standard Deviation	Beta	Sharpe Measure <sup>3</sup>	Info. Ratio	Correlation to Index
<b>CS Compound Risk Parity Commodity Index</b>	<b>10.3%</b>	<b>0.98</b>	<b>Neg.</b>	<b>0.19</b>	<b>1.00</b>
Custom Risk Parity Commodity Benchmark <sup>2</sup>	10.4	1.00	Neg.	NA	1.00

<sup>1</sup> Fiscal Year begins July 1.  
<sup>2</sup> Custom Risk Parity Commodity Benchmark returns 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 Retiree Health Care 115 Trust

# First Quadrant Risk Parity Commodity Index Portfolio Detail as of 3/31/15

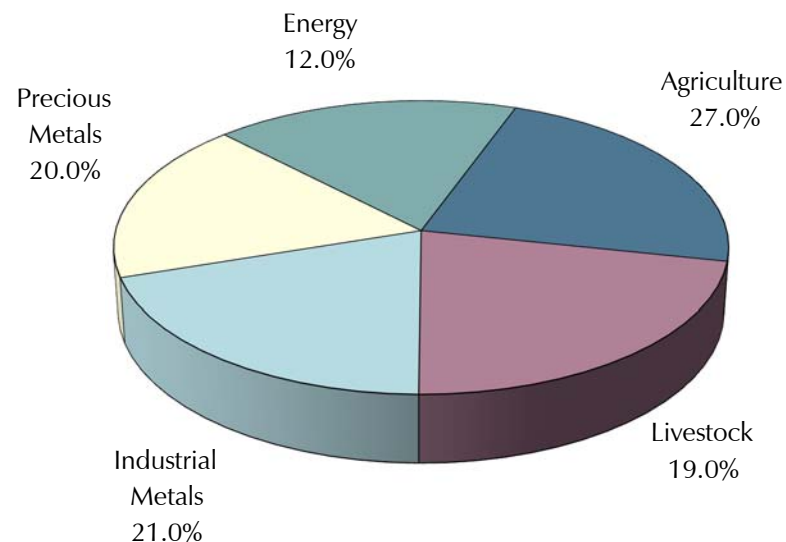
**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$4.3 million  
**Portfolio Manager:** Team  
**Location:** Pasadena, California  
**Inception Date:** 8/1/2011  
**Account Type:** Commingled

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

**Liquidity Constraints:**  
 Monthly

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

**Current Allocation:**



Performance (%):	1Q15	Fiscal YTD <sup>1</sup>	1 YR	3 YR	Since 8/1/11
<b>First Quadrant Risk Parity Commodity Index</b>	<b>-8.1</b>	<b>-26.5</b>	<b>-22.7</b>	<b>-11.4</b>	<b>-12.1</b>
Custom Risk Parity Commodity Benchmark <sup>2</sup>	-5.1	-22.3	-19.2	-7.8	-8.6
Bloomberg Commodity Index	-5.9	-27.1	-27.0	-11.5	-12.9

Risk: (forty-four months)	Standard Deviation	Beta	Sharpe Measure <sup>3</sup>	Info. Ratio	Correlation to Index
<b>First Quadrant Risk Parity Commodity Index</b>	<b>11.4%</b>	<b>1.08</b>	<b>Neg.</b>	<b>Neg.</b>	<b>0.95</b>
Custom Risk Parity Commodity Benchmark <sup>2</sup>	10.4	1.00	Neg.	NA	1.00

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

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

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

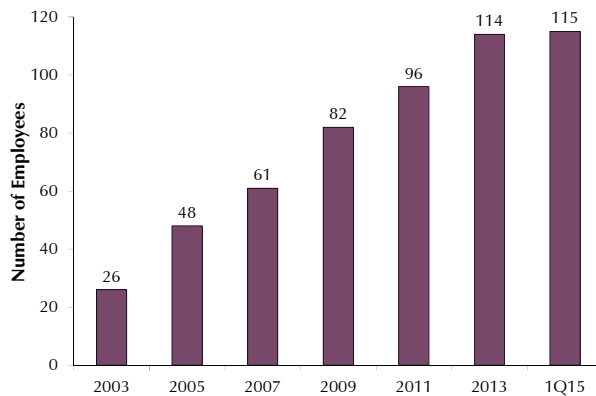


# **Meketa Investment Group Corporate Update**

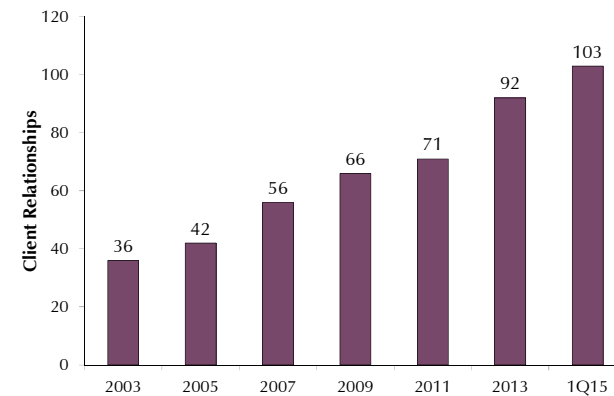


- Staff of 115, including 67 investment professionals and 22 CFA Charterholders
- 103 clients, with over 185 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Miami, Portland (OR), San Diego, and London
- Clients have aggregate assets of over \$750 billion
  - Over \$20 billion in assets committed to alternative investments
    - Private Equity
    - Infrastructure
    - Natural Resources
    - Real Estate
    - Hedge Funds
    - Commodities

**Employee Growth**



**Client Growth**



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

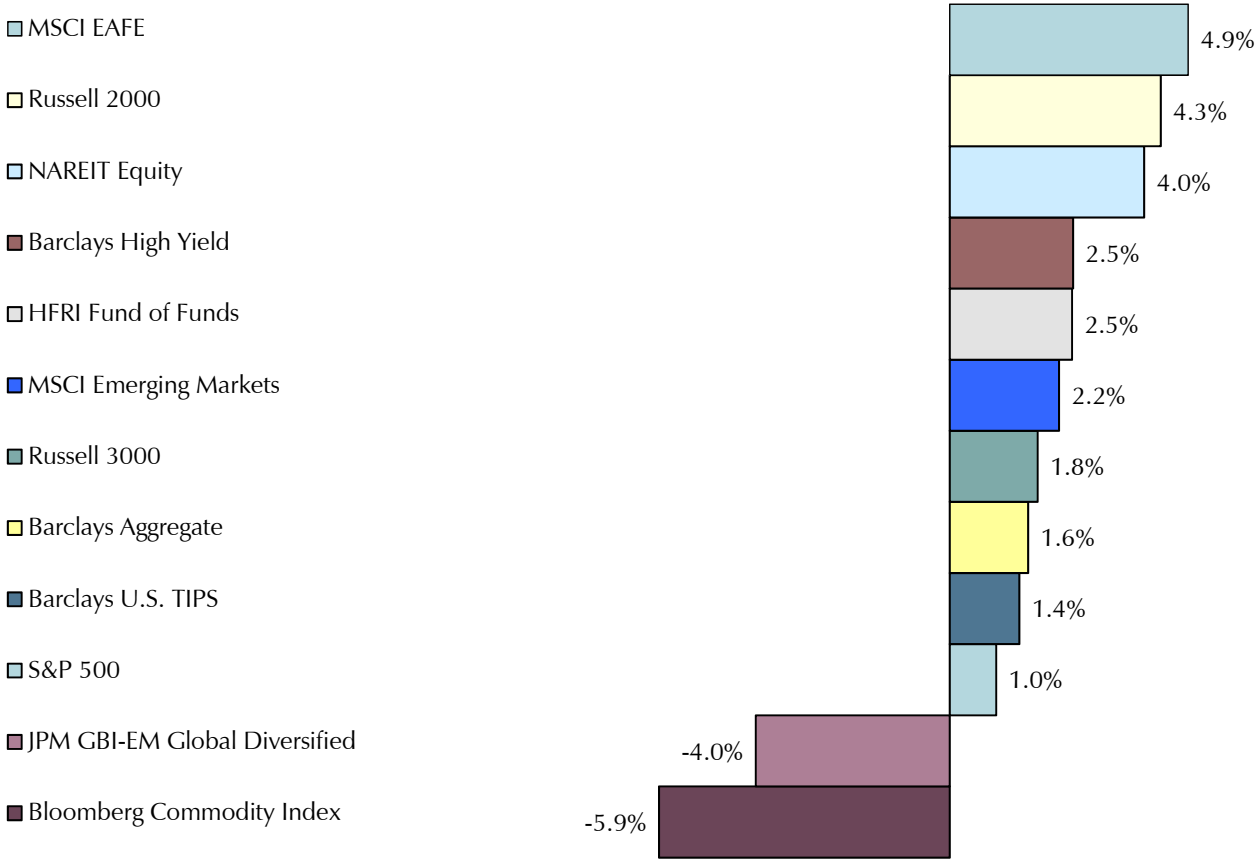
**Asset Classes Followed Intensively by Meketa Investment Group**

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

# Appendices

**The World Markets  
First Quarter of 2015**

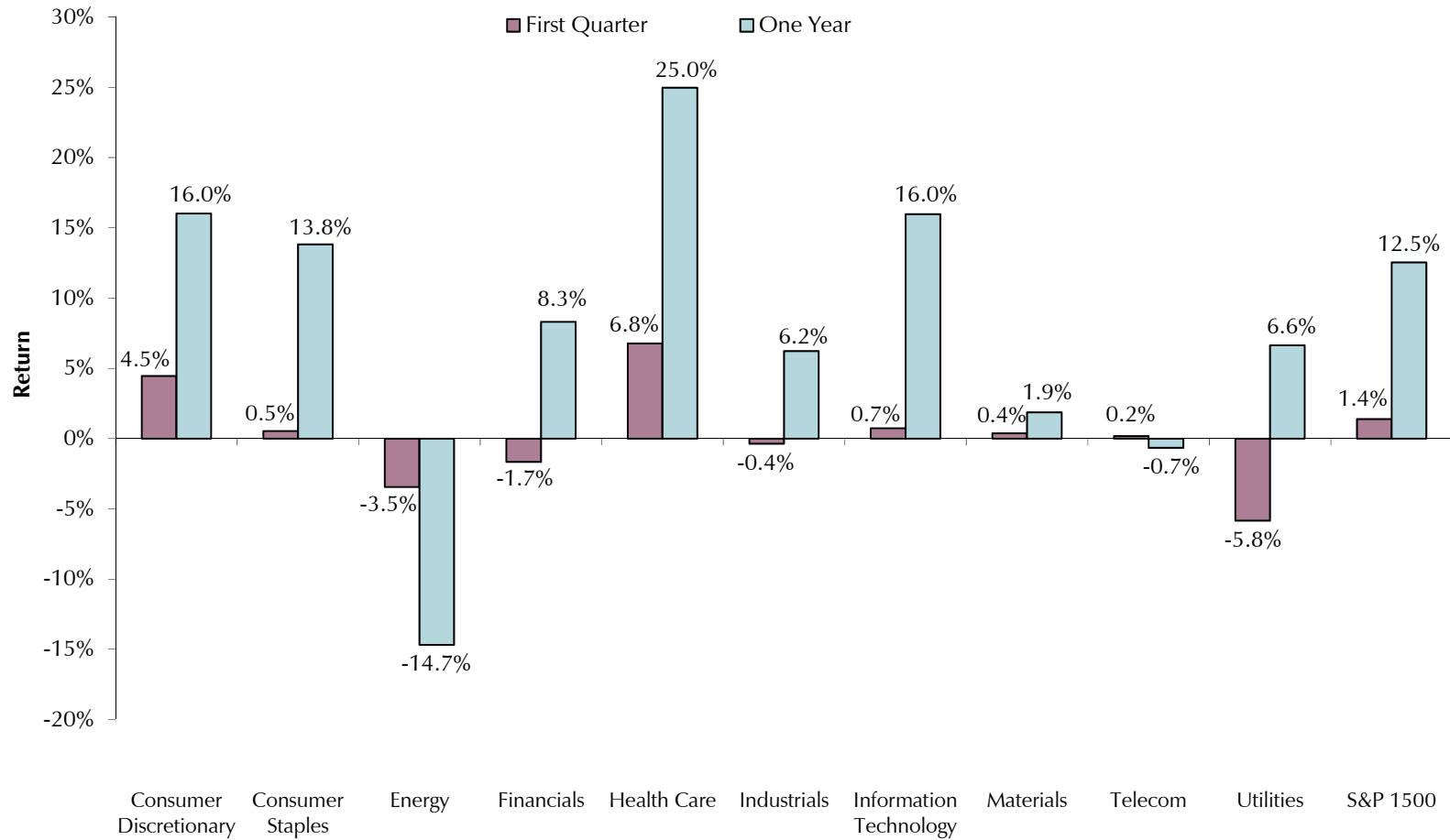
The World Markets  
First Quarter of 2015



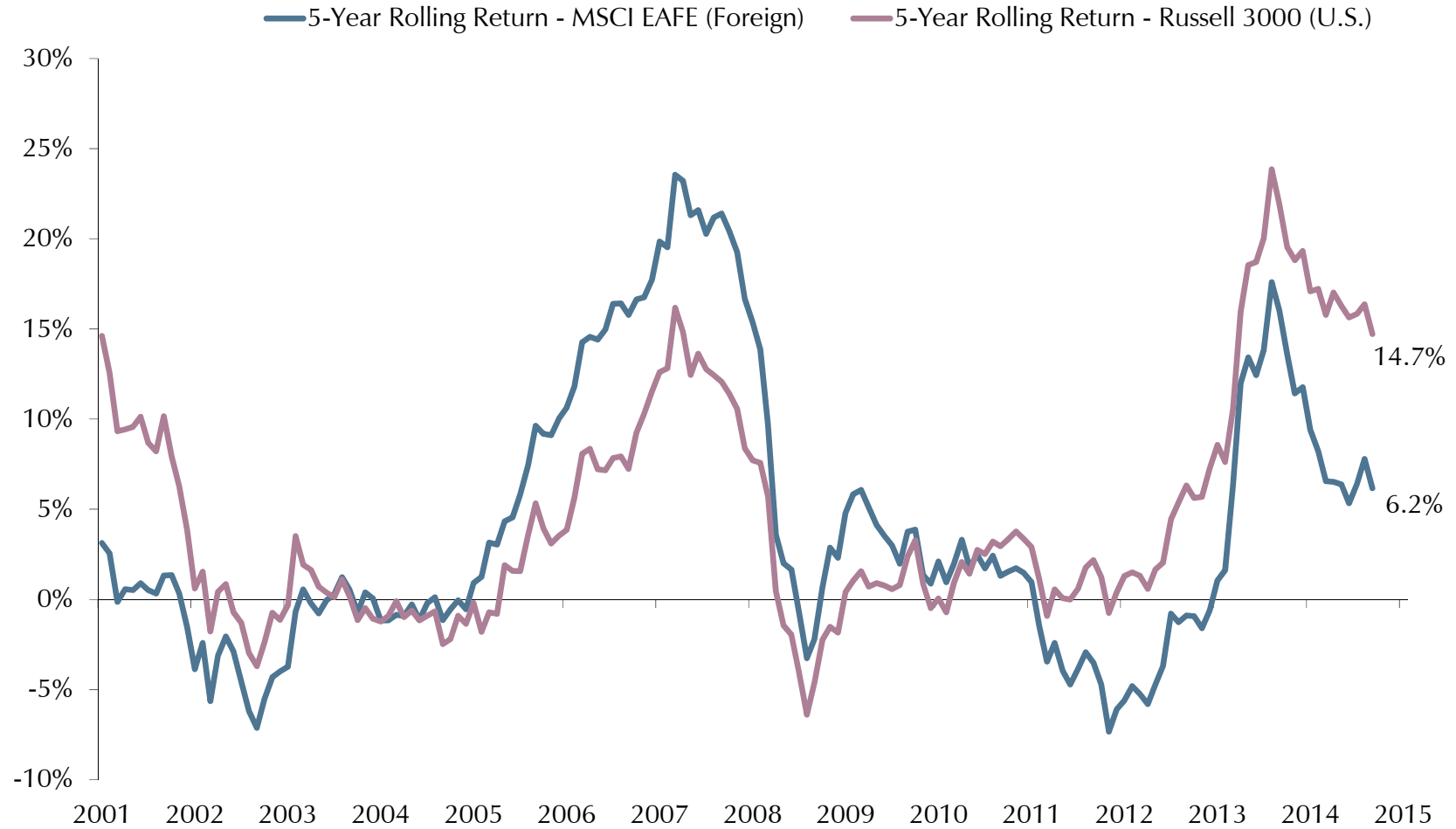
Index Returns

	1Q15 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
Russell 3000	1.8	12.4	16.4	14.7	8.4
Russell 1000	1.6	12.7	16.4	14.7	8.3
Russell 1000 Growth	3.8	16.1	16.3	15.6	9.4
Russell 1000 Value	-0.7	9.3	16.4	13.8	7.2
Russell MidCap	4.0	13.7	18.1	16.2	10.0
Russell MidCap Growth	5.4	15.6	17.4	16.4	10.2
Russell MidCap Value	2.4	11.7	18.6	15.8	9.6
Russell 2000	4.3	8.2	16.3	14.6	8.8
Russell 2000 Growth	6.6	12.1	17.7	16.6	10.0
Russell 2000 Value	2.0	4.4	14.8	12.5	7.5
<b>Foreign Equity</b>					
MSCI ACWI (ex. U.S.)	3.5	-1.0	6.4	4.8	5.5
MSCI EAFE	4.9	-0.9	9.0	6.2	4.9
MSCI EAFE (local currency)	10.8	17.7	16.6	9.1	6.1
MSCI EAFE Small Cap	5.6	-2.9	10.7	8.8	6.2
MSCI Emerging Markets	2.2	0.4	0.3	1.7	8.5
MSCI Emerging Markets (local currency)	4.9	10.9	6.4	5.6	10.1
<b>Fixed Income</b>					
Barclays Universal	1.7	5.3	3.5	4.7	5.2
Barclays Aggregate	1.6	5.7	3.1	4.4	4.9
Barclays U.S. TIPS	1.4	3.1	0.6	4.3	4.6
Barclays High Yield	2.5	2.0	7.5	8.6	8.2
JPMorgan GBI-EM Global Diversified	-4.0	-11.1	-3.9	0.7	6.3
<b>Other</b>					
NAREIT Equity	4.0	22.7	14.0	15.6	9.5
Bloomberg Commodity Index	-5.9	-27.0	-11.5	-5.7	-3.6
HFRI Fund of Funds	2.5	5.4	5.4	3.5	3.2

S&P Sector Returns

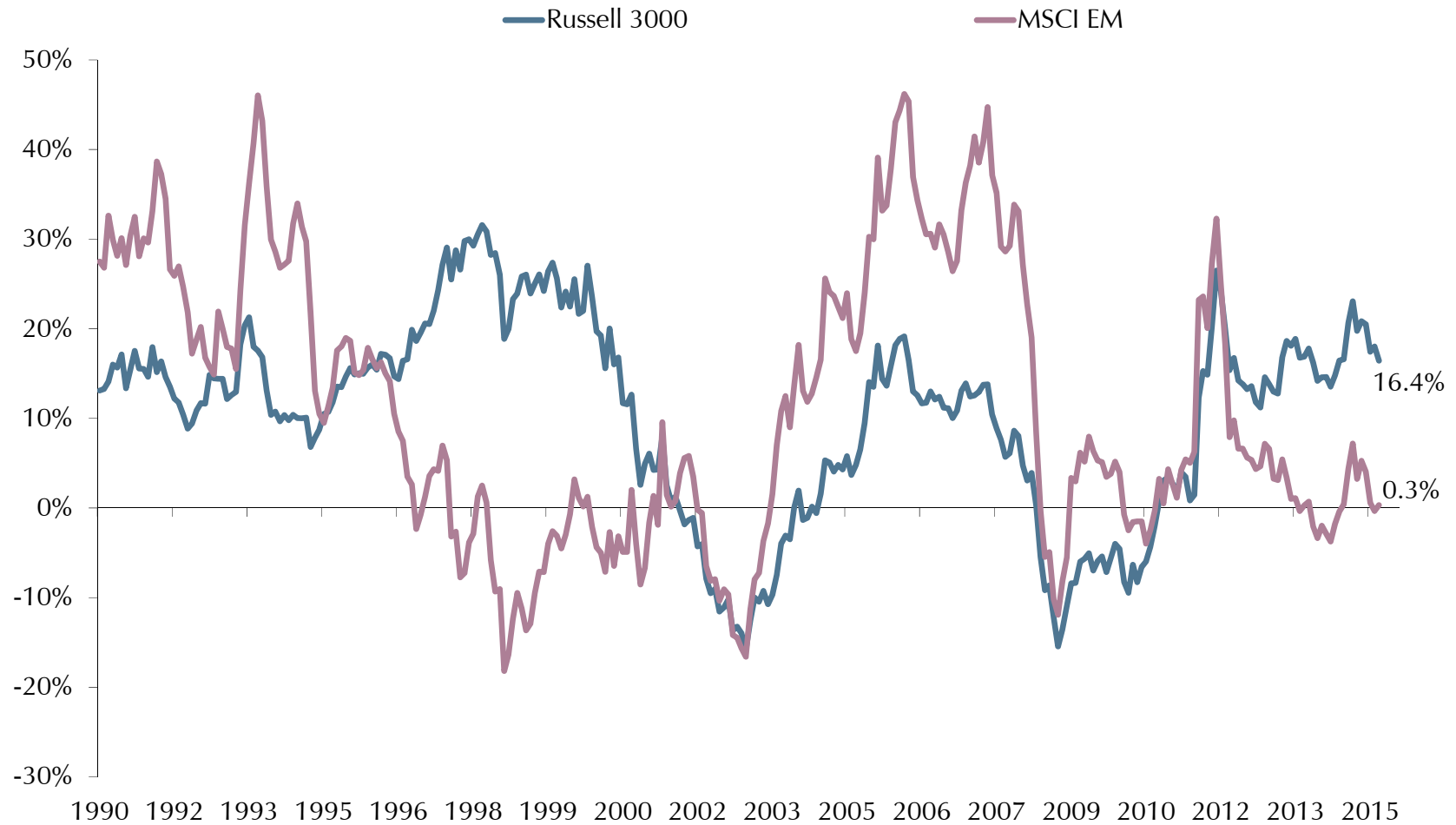


Equity Markets



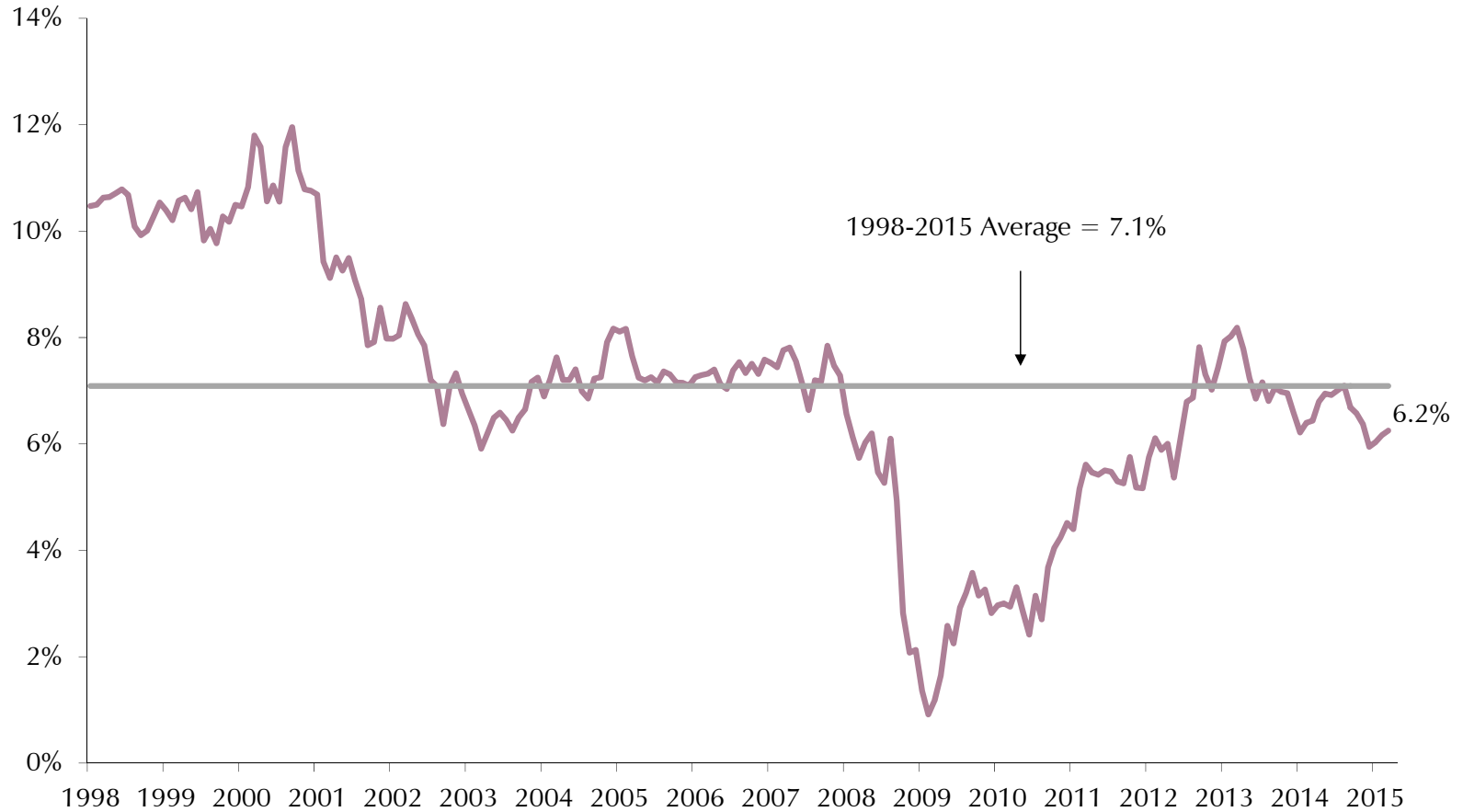


### U.S. and Emerging Market Equity Rolling Three Year Returns

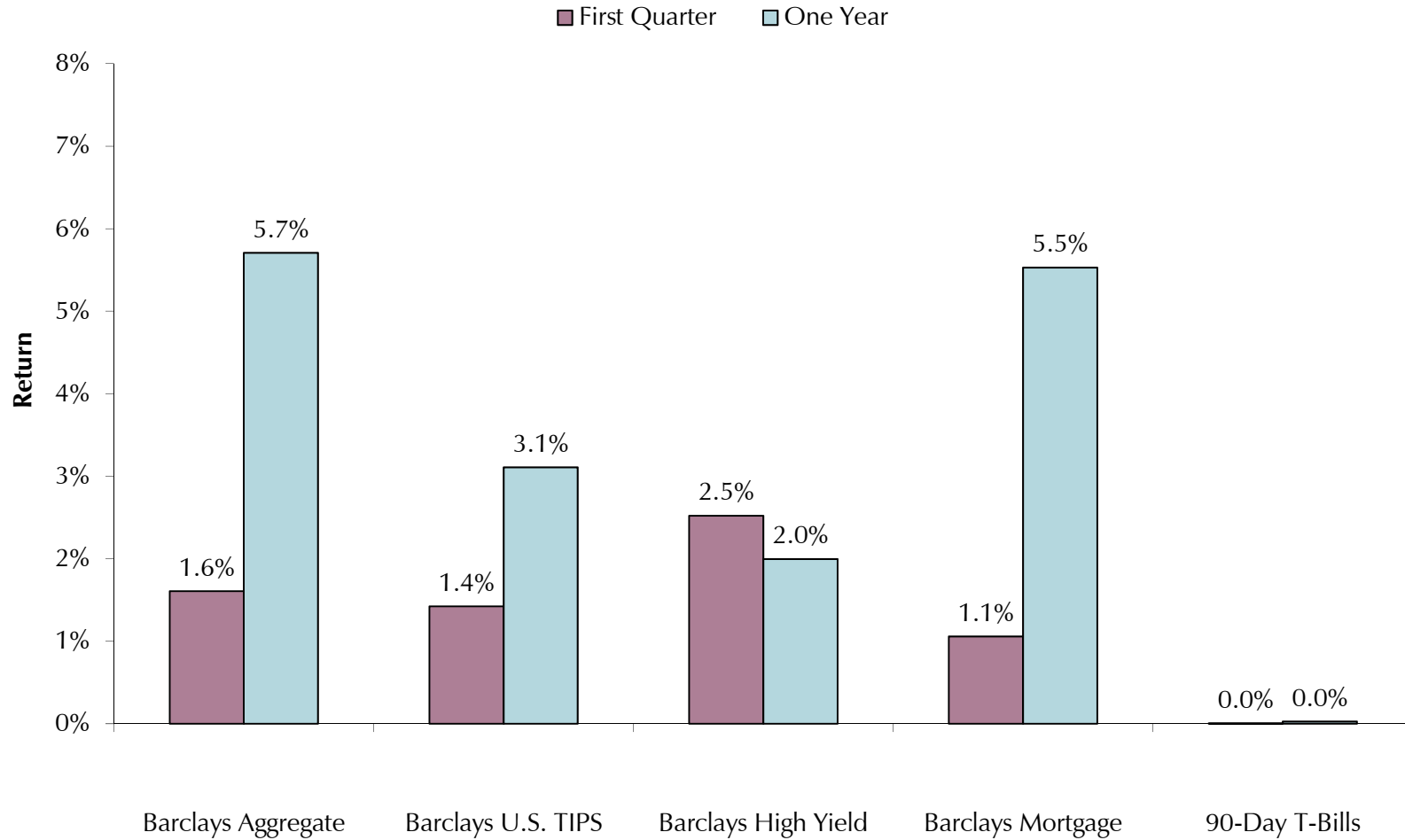


**Rolling Ten-Year Returns: 65% Stocks and 35% Bonds**

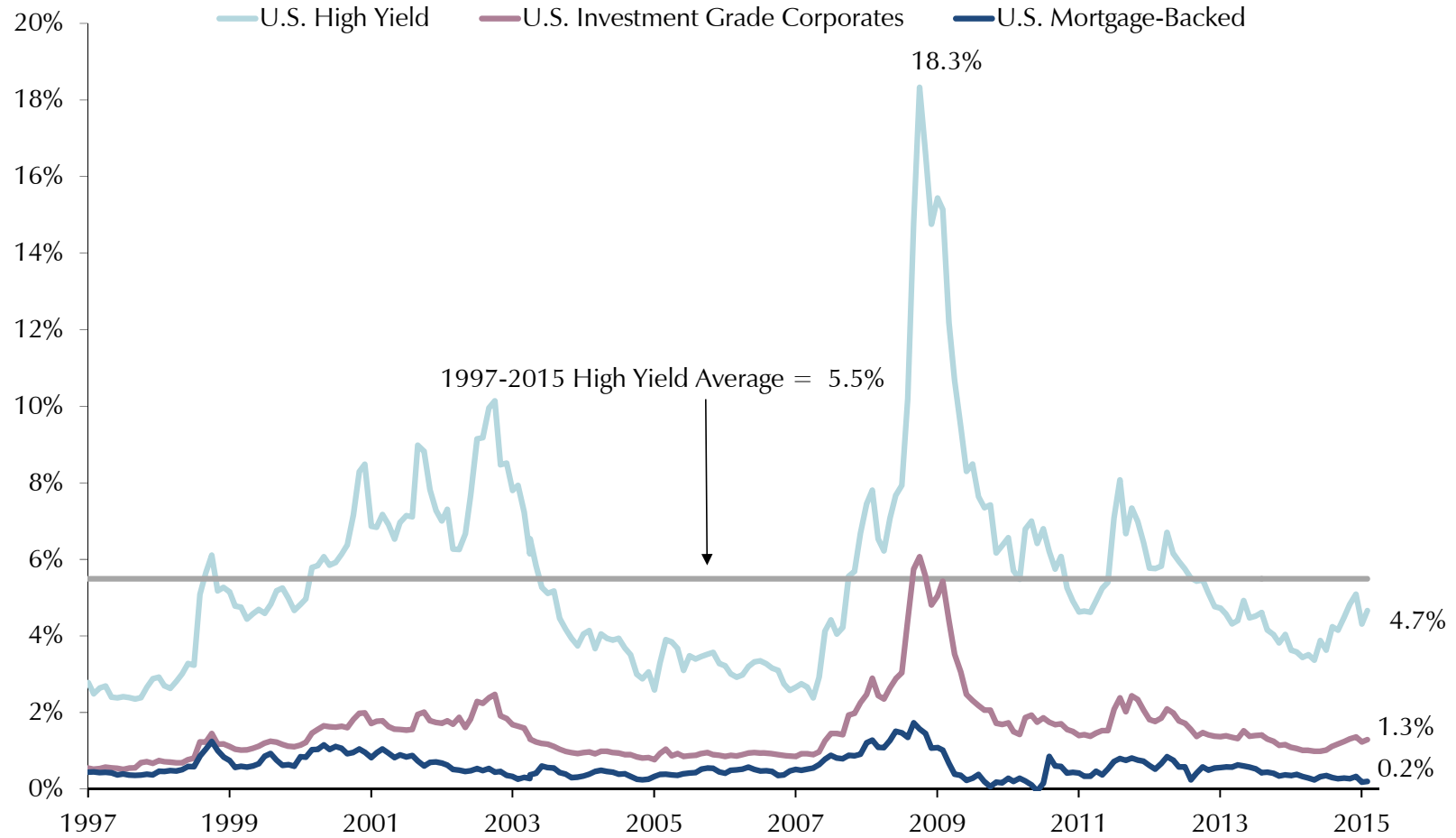
— 65% Stocks (MSCI ACWI) / 35% Bonds (Barclays Aggregate) 10-Year Rolling Return



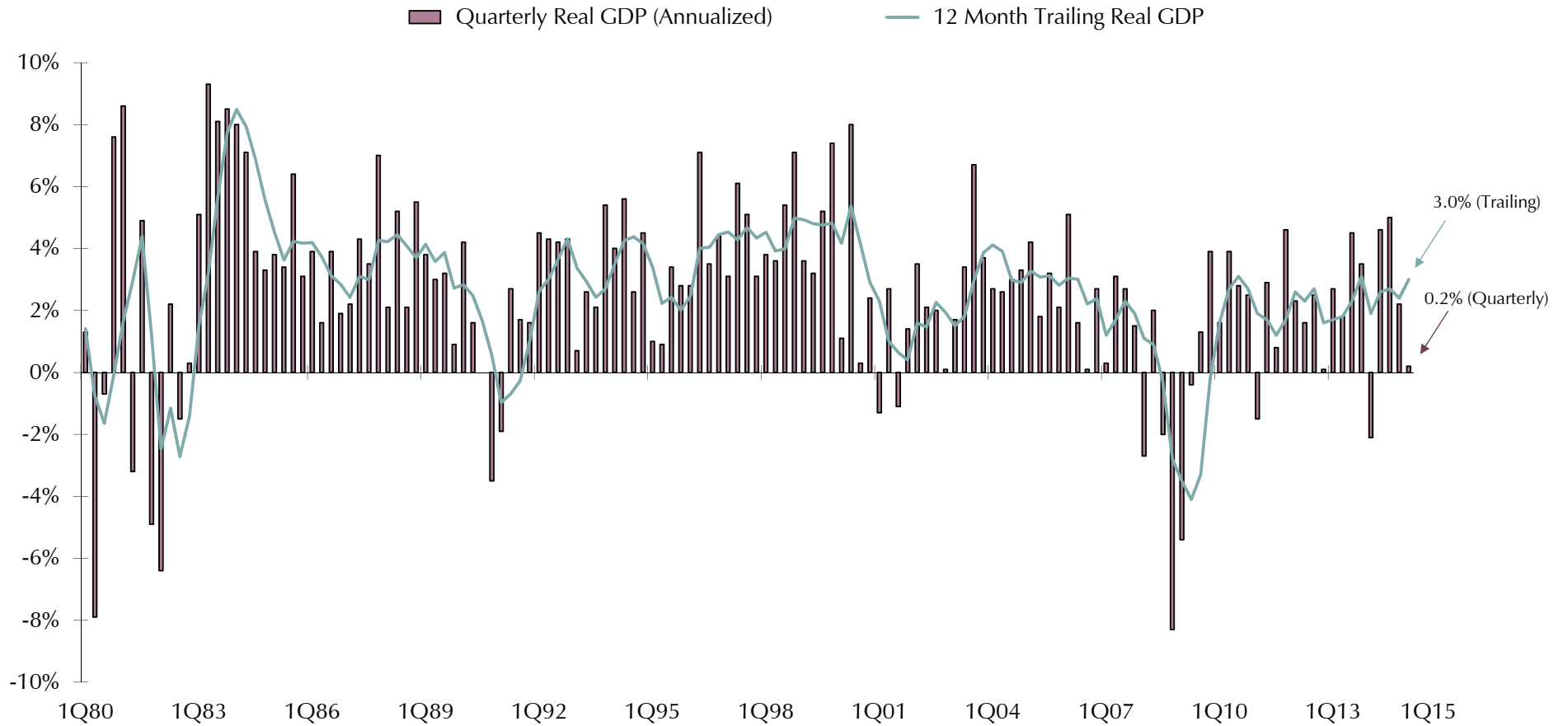
U.S. Fixed Income Markets



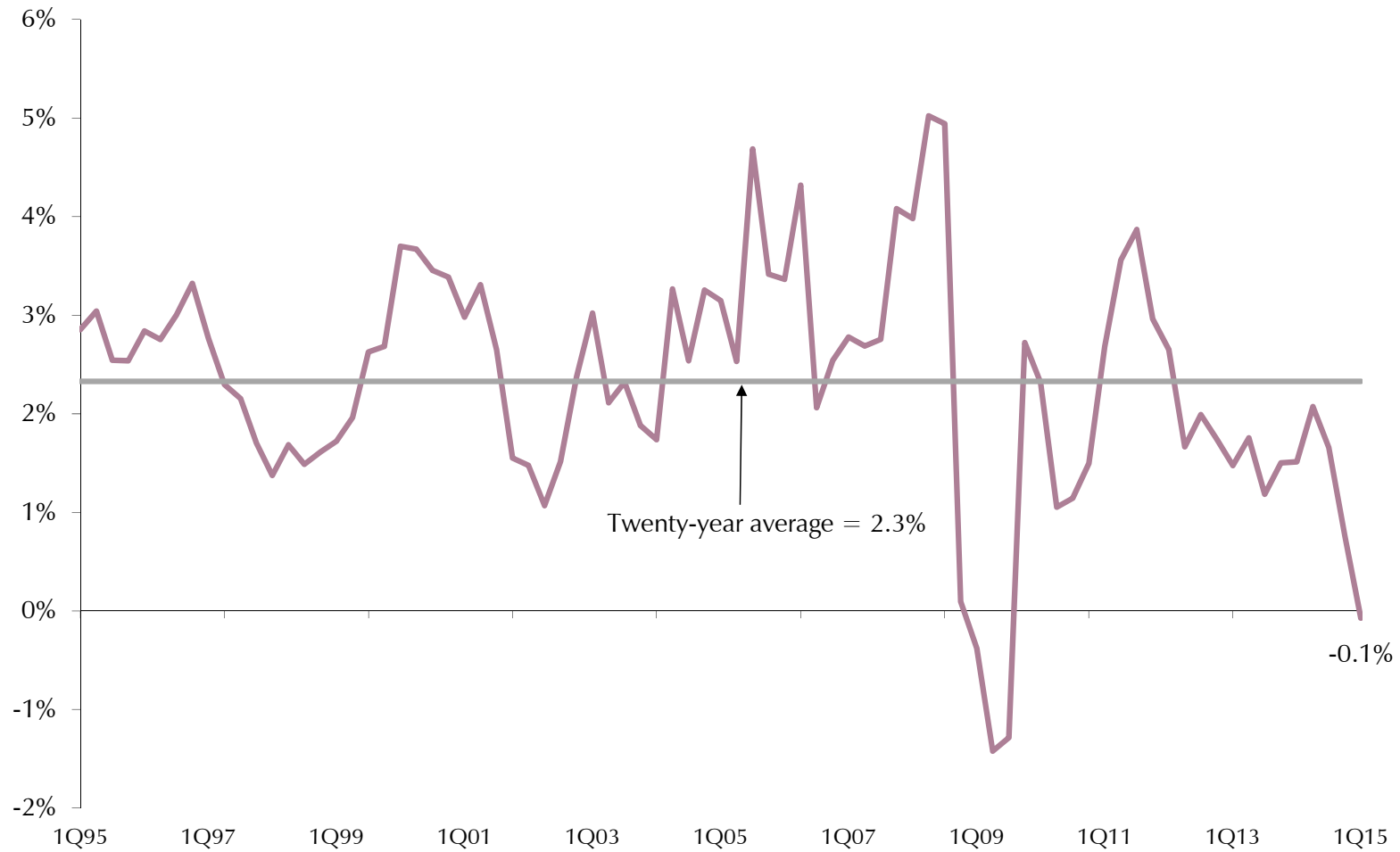
Credit Spreads vs. U.S. Treasury Bonds



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



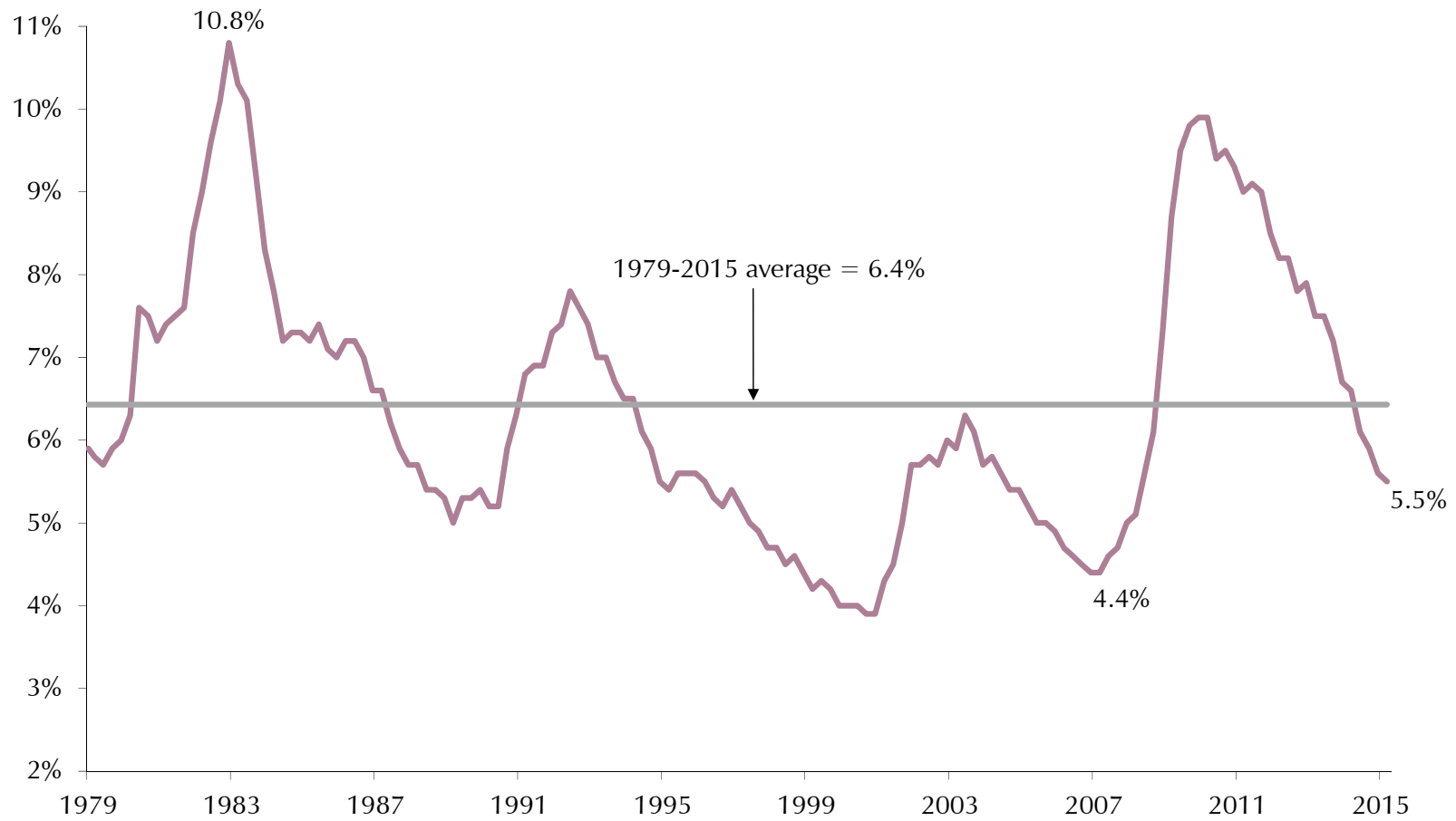
**U.S. Inflation (CPI)  
Trailing Twelve Months<sup>1</sup>**



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



### U.S. Unemployment



**Glossary and Notes**  
**As of March 31, 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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Returns for periods greater than one year are annualized throughout this report.  
Values shown are in millions of dollars, unless noted otherwise.