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

### **Investment Performance Analysis For the period ending September 30, 2016**

September 22, 2016

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

## Total Fund Performance (Gross of Fee)

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Health Care Trust</b>	<b>96,749,597</b>	<b>100.0</b>	<b>1.8</b>	<b>43</b>	<b>6.2</b>	<b>29</b>	<b>8.2</b>	<b>27</b>	<b>1.8</b>	<b>87</b>	<b>3.7</b>	<b>56</b>	--	--	--	--	<b>4.7</b>	<b>Jul-12</b>
<i>Policy Benchmark</i>			2.6	21	7.4	13	10.2	11	2.7	68	4.2	49	--	--	--	--	5.2	Jul-12
<i>Allocation Index</i>			2.1	35	6.2	29	8.6	21	3.4	51	4.8	36	--	--	--	--	5.6	Jul-12
<i>InvestorForce Health &amp; Welfare - Gross Median</i>			1.7		5.4		6.3		3.4		4.0		4.8		4.6		4.3	Jul-12

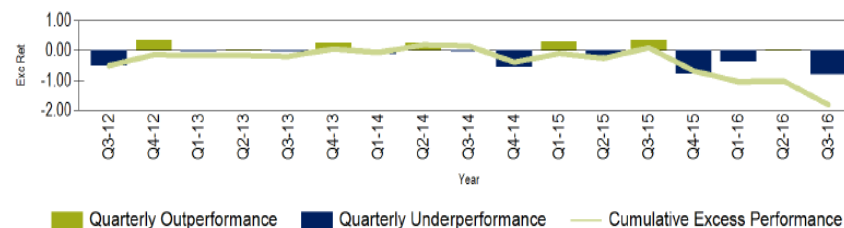
For the three-year period ending September 30, 2016, the Health Care Trust returned 3.7%, trailing the policy benchmark by 0.5% and ranking in the 56<sup>th</sup> percentile of the InvestorForce Health & Welfare Funds Universe.

For the one year ending September 30, 2016, the Health Care Trust produced a net investment gain of \$6.2 million, which includes a net investment gain of \$1.7 million in the third calendar quarter. Assets increased from \$70.3 million one year ago to \$96.7 million on September 30, 2016, with \$20.3 million in net contributions during the year.

The Fund's volatility since inception ranks in the bottom quartile of its peers, resulting in a Sharpe Ratio, or risk-adjusted performance, that also ranks in the bottom quartile of its peer group.

*Note: The InvestorForce Health & Welfare Funds Universe had 197 observations totaling \$15.5 billion in assets as of 9/30/2016.*

Quarterly and Cumulative Excess Performance



Since Inception Ending Sep 30, 2016

	Anlzd Return	Rank	Anlzd Standard Deviation	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Health Care Trust	4.7%	45	6.2%	85	0.8	94	1.3	93
Policy Benchmark	5.2%	38	6.7%	95	0.8	94	1.3	93
Allocation Index	5.6%	32	5.5%	78	1.0	83	1.8	81
InvestorForce Health & Welfare - Gross Median	4.3%	--	3.1%	--	1.4	--	2.3	--

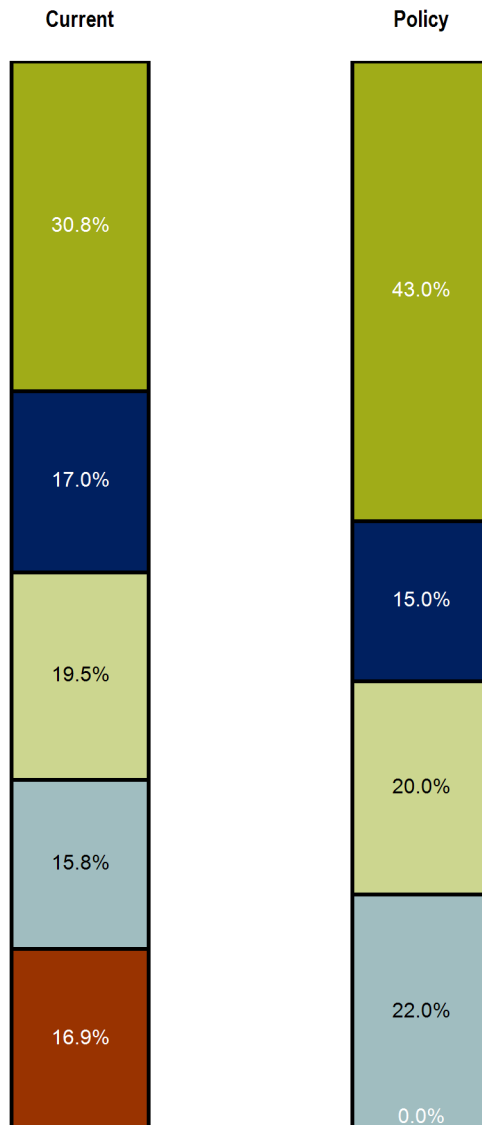
1 Year Ending September 30, 2016

	Anlzd Return	Rank	Anlzd Standard Deviation	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Health Care Trust	8.2%	27	7.1%	85	1.1	90	2.4	83
Policy Benchmark	10.2%	11	9.0%	99	1.1	90	2.1	88
Allocation Index	8.6%	21	6.3%	79	1.3	80	2.4	82
InvestorForce Health & Welfare - Gross Median	6.3%	--	3.3%	--	1.8	--	4.9	--



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

## Total Fund Asset Allocation vs Policy Targets



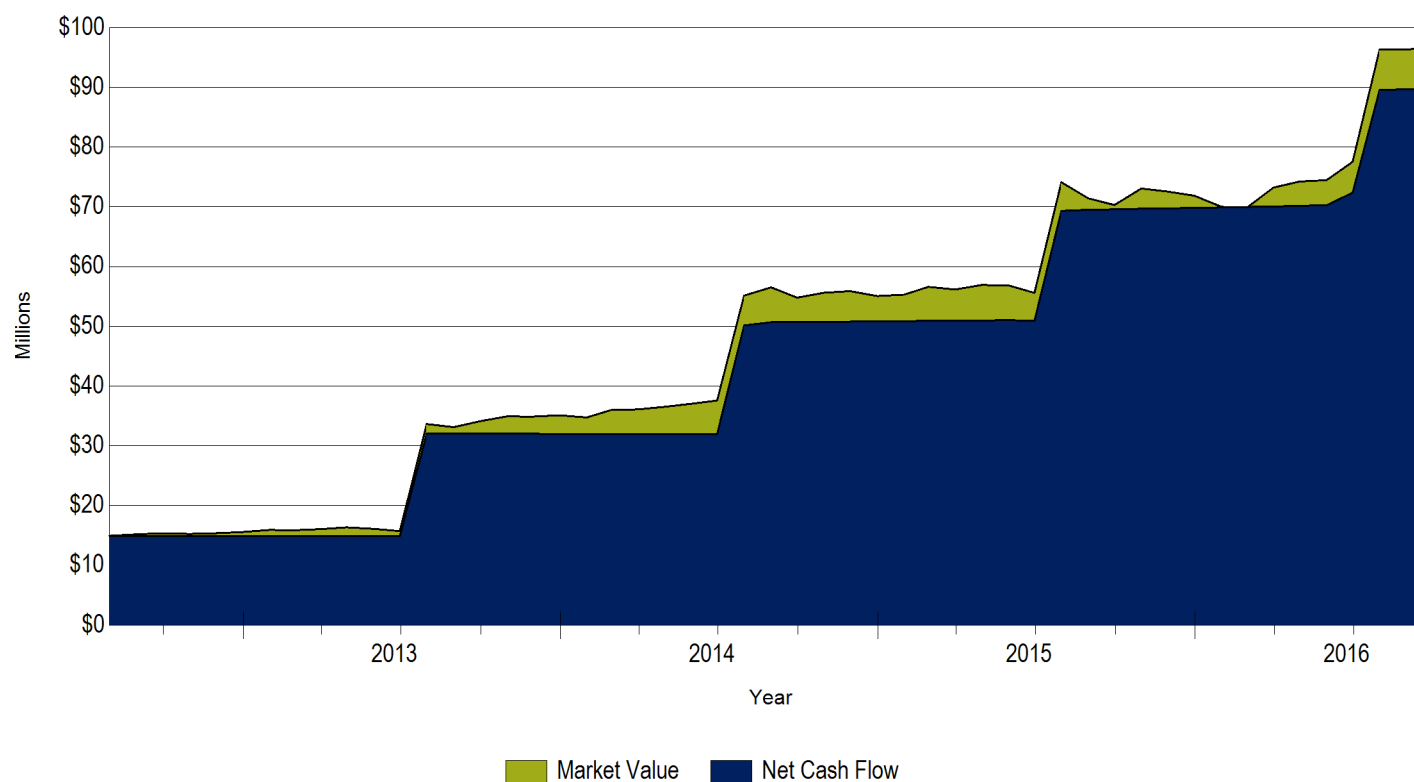
Asset Allocation vs. Target							
	Current Balance	Current Allocation	Policy	Difference *	Policy Range	Within IPS Range?	
Equities	\$29,824,666	30.8%	43.0%	-12.2%	25.0% - 50.0%	Yes	
Fixed Income	\$16,434,304	17.0%	15.0%	2.0%	5.0% - 25.0%	Yes	
Global Asset Allocation	\$18,832,725	19.5%	20.0%	-0.5%	0.0% - 25.0%	Yes	
Inflation-Linked	\$15,284,076	15.8%	22.0%	-6.2%	12.0% - 25.0%	Yes	
Cash	\$16,373,826	16.9%	0.0%	16.9%	0.0% - 5.0%	No	
<b>Total</b>	<b>\$96,749,597</b>	<b>100.0%</b>	<b>100.0%</b>				

\*Difference between Policy and Current Allocation

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

## Health Care Trust Asset Growth Summary

Since Inception Ending Sep 30, 2016



	Last Three Months	Year-To-Date	One Year	Three Years	Inception 7/1/12
Beginning Market Value	\$77,527,992	\$71,858,339	\$70,306,083	\$34,105,466	\$0
Net Cash Flow	\$17,482,775	\$20,033,596	\$20,277,230	\$57,839,708	\$89,854,302
Net Investment Change	\$1,738,829	\$4,857,662	\$6,166,283	\$4,804,422	\$6,895,295
Ending Market Value	\$96,749,597	\$96,749,597	\$96,749,597	\$96,749,597	\$96,749,597



NEPC, LLC

September 30, 2016

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

## Health Care Trust Asset Growth Summary Detail

### Cash Flow Summary

3 Months Ending Sep 30, 2016

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$4,881,059	-\$6,012,760	\$17,505,207	\$11,492,447	\$320	\$16,373,826
Credit Suisse	\$5,244,328	-\$6,957	\$2,000,000	\$1,993,043	-\$232,709	\$7,004,663
GMO	\$3,117,009	\$0	\$0	\$0	\$110,452	\$3,227,461
PIMCO	\$5,223,916	\$0	\$2,500,000	\$2,500,000	\$289,199	\$8,013,115
Standard Life	\$7,556,569	\$0	\$0	\$0	\$35,581	\$7,592,149
Vanguard REIT Index Fund	\$7,118,996	\$0	\$0	\$0	-\$104,820	\$7,014,176
Vanguard Total Bond Market Index Fund	\$14,871,747	\$0	\$1,500,000	\$1,500,000	\$62,557	\$16,434,304
Vanguard Total World Stock Index Fund	\$28,294,994	\$0	\$0	\$0	\$1,529,672	\$29,824,666
Wellington	\$1,219,374	-\$2,715	\$0	-\$2,715	\$48,578	\$1,265,237
<b>Total</b>	<b>\$77,527,992</b>	<b>-\$6,022,431</b>	<b>\$23,505,207</b>	<b>\$17,482,775</b>	<b>\$1,738,829</b>	<b>\$96,749,597</b>

### Cash Flow Summary

YTD Ending Sep 30, 2016

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$5,250,807	-\$9,076,520	\$20,199,218	\$11,122,699	\$320	\$16,373,826
Credit Suisse	\$3,316,168	-\$15,617	\$3,500,000	\$3,484,383	\$204,112	\$7,004,663
GMO	\$3,085,422	-\$13,013	\$0	-\$13,013	\$155,052	\$3,227,461
PIMCO	\$4,733,491	-\$23,338	\$2,500,000	\$2,476,662	\$802,961	\$8,013,115
Standard Life	\$6,306,266	\$0	\$1,500,000	\$1,500,000	-\$214,117	\$7,592,149
Vanguard REIT Index Fund	\$6,272,388	-\$2,749	\$0	-\$2,749	\$744,537	\$7,014,176
Vanguard Total Bond Market Index Fund	\$14,092,728	-\$4,761	\$1,500,000	\$1,495,239	\$846,338	\$16,434,304
Vanguard Total World Stock Index Fund	\$27,736,630	-\$21,984	\$0	-\$21,984	\$2,110,020	\$29,824,666
Wellington	\$1,064,439	-\$7,640	\$0	-\$7,640	\$208,439	\$1,265,237
<b>Total</b>	<b>\$71,858,339</b>	<b>-\$9,165,622</b>	<b>\$29,199,218</b>	<b>\$20,033,596</b>	<b>\$4,857,662</b>	<b>\$96,749,597</b>



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

## Health Care Trust Asset Growth Summary Detail

### Cash Flow Summary

1 Year Ending Sep 30, 2016

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$4,967,779	-\$9,079,151	\$20,484,877	\$11,405,726	\$320	\$16,373,826
Credit Suisse	\$3,582,452	-\$19,111	\$3,500,000	\$3,480,889	-\$58,678	\$7,004,663
GMO	\$3,039,936	-\$19,633	\$0	-\$19,633	\$207,158	\$3,227,461
PIMCO	\$4,798,738	-\$34,677	\$2,500,000	\$2,465,323	\$749,054	\$8,013,115
Standard Life	\$6,232,699	\$0	\$1,500,000	\$1,500,000	-\$140,550	\$7,592,149
Vanguard REIT Index Fund	\$5,859,665	-\$4,302	\$0	-\$4,302	\$1,158,812	\$7,014,176
Vanguard Total Bond Market Index Fund	\$14,178,124	-\$7,236	\$1,500,000	\$1,492,764	\$763,416	\$16,434,304
Vanguard Total World Stock Index Fund	\$26,530,500	-\$33,247	\$0	-\$33,247	\$3,327,413	\$29,824,666
Wellington	\$1,116,190	-\$10,291	\$0	-\$10,291	\$159,338	\$1,265,237
<b>Total</b>	<b>\$70,306,083</b>	<b>-\$9,207,646</b>	<b>\$29,484,877</b>	<b>\$20,277,230</b>	<b>\$6,166,283</b>	<b>\$96,749,597</b>

### Cash Flow Summary

Since Inception Ending Sep 30, 2016

	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$0	-\$80,168,021	\$96,541,087	\$16,373,066	\$760	\$16,373,826
Credit Suisse	--	-\$555,067	\$8,800,000	\$8,244,933	-\$1,240,270	\$7,004,663
First Quadrant	--	-\$742,610	\$890,000	\$147,390	-\$147,390	--
GMO	--	-\$704,232	\$3,950,000	\$3,245,768	-\$18,307	\$3,227,461
PIMCO	--	-\$73,188	\$8,150,000	\$8,076,812	-\$63,698	\$8,013,115
Standard Life	--	\$0	\$7,800,000	\$7,800,000	-\$207,851	\$7,592,149
Vanguard REIT Index Fund	--	-\$16,554	\$4,988,695	\$4,972,141	\$2,042,035	\$7,014,176
Vanguard Total Bond Market Index Fund	--	-\$4,227,831	\$19,110,434	\$14,882,603	\$1,551,701	\$16,434,304
Vanguard Total World Stock Index Fund	--	-\$121,989	\$24,671,390	\$24,549,401	\$5,275,265	\$29,824,666
Wellington	--	-\$27,811	\$1,590,000	\$1,562,189	-\$296,952	\$1,265,237
<b>Total</b>	<b>\$0</b>	<b>-\$86,637,305</b>	<b>\$176,491,606</b>	<b>\$89,854,302</b>	<b>\$6,895,295</b>	<b>\$96,749,597</b>



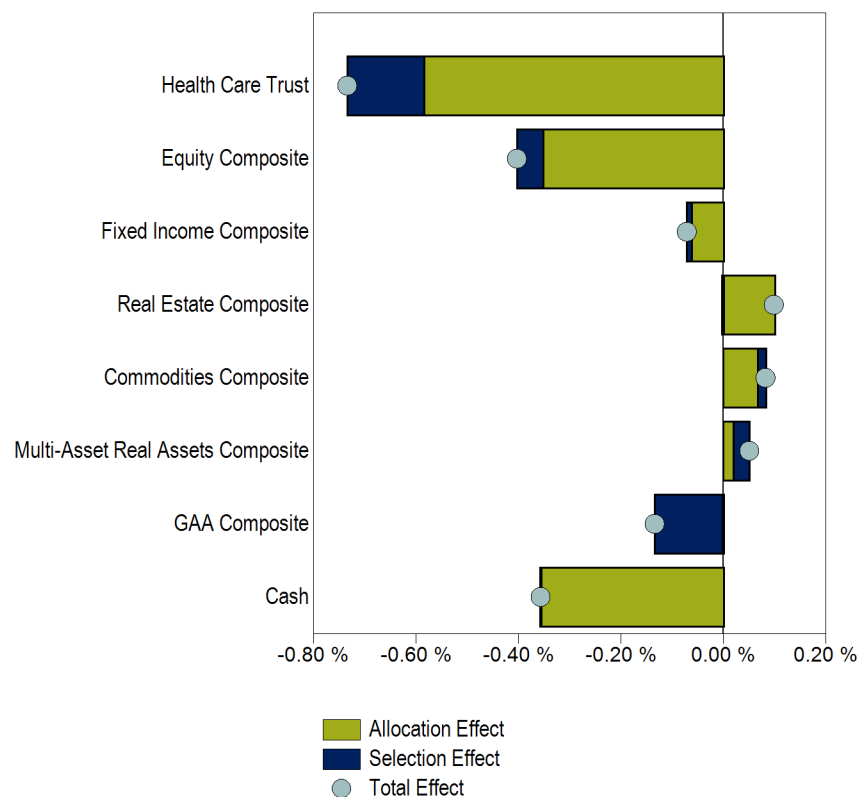
NEPC, LLC

September 30, 2016

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

## Health Care Trust Attribution Analysis - Net of Fees

**Attribution Effects**  
3 Months Ending September 30, 2016



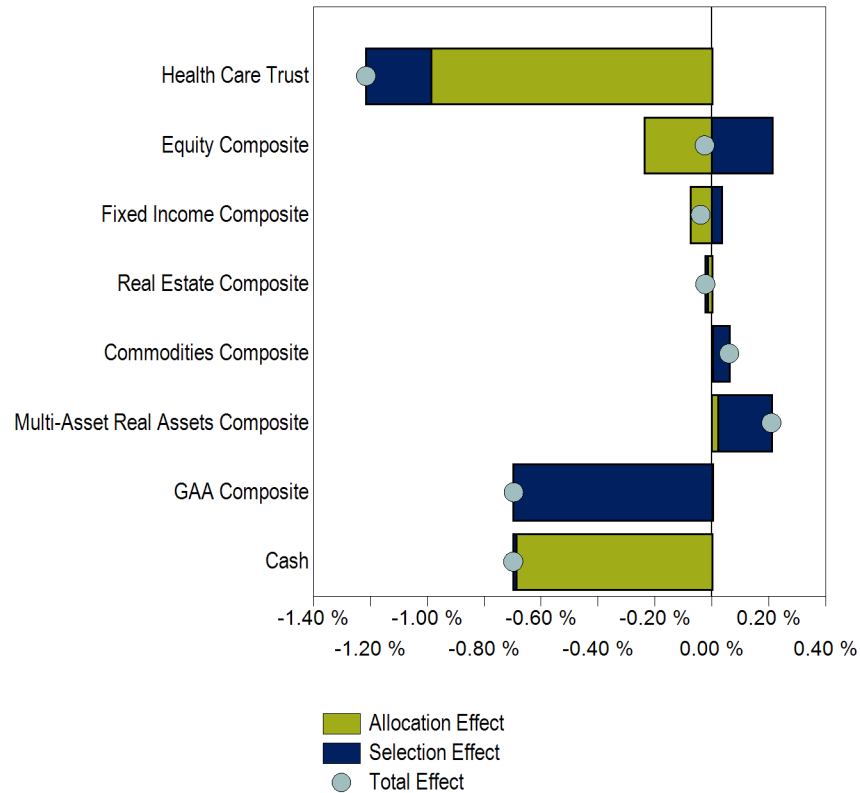
**Attribution Summary**  
3 Months Ending September 30, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	5.4%	5.6%	-0.2%	-0.1%	-0.4%	-0.4%
Fixed Income Composite	0.4%	0.5%	-0.1%	0.0%	-0.1%	-0.1%
Real Estate Composite	-1.5%	-1.4%	0.0%	0.0%	0.1%	0.1%
Commodities Composite	-3.3%	-3.5%	0.2%	0.0%	0.1%	0.1%
Multi-Asset Real Assets Composite	3.8%	1.4%	2.4%	0.0%	0.0%	0.1%
GAA Composite	2.4%	3.0%	-0.6%	-0.1%	0.0%	-0.1%
Cash	0.1%	0.1%	0.0%	0.0%	-0.4%	-0.4%
<b>Total</b>	<b>1.9%</b>	<b>2.6%</b>	<b>-0.7%</b>	<b>-0.1%</b>	<b>-0.6%</b>	<b>-0.7%</b>

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

## Health Care Trust Attribution Analysis - Net of Fees

Attribution Effects  
YTD Ending Sep 30, 2016



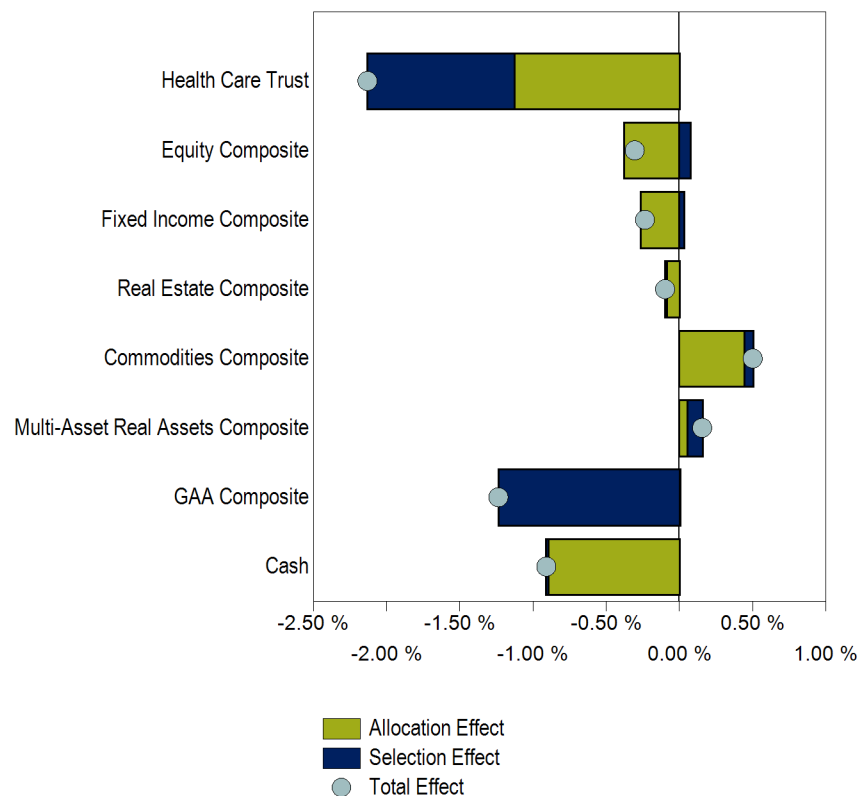
Attribution Summary  
YTD Ending Sep 30, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	7.5%	7.0%	0.5%	0.2%	-0.2%	0.0%
Fixed Income Composite	6.0%	5.8%	0.2%	0.0%	-0.1%	0.0%
Real Estate Composite	11.8%	11.9%	-0.1%	0.0%	0.0%	0.0%
Commodities Composite	5.6%	4.7%	0.9%	0.1%	0.0%	0.1%
Multi-Asset Real Assets Composite	18.9%	5.9%	13.0%	0.2%	0.0%	0.2%
GAA Composite	4.4%	7.9%	-3.5%	-0.7%	0.0%	-0.7%
Cash	0.1%	0.2%	-0.1%	0.0%	-0.7%	-0.7%
<b>Total</b>	<b>6.2%</b>	<b>7.4%</b>	<b>-1.2%</b>	<b>-0.2%</b>	<b>-1.0%</b>	<b>-1.2%</b>

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

## Health Care Trust Attribution Analysis - Net of Fees

**Attribution Effects**  
1 Year 1 Month Ending Sep 30, 2016



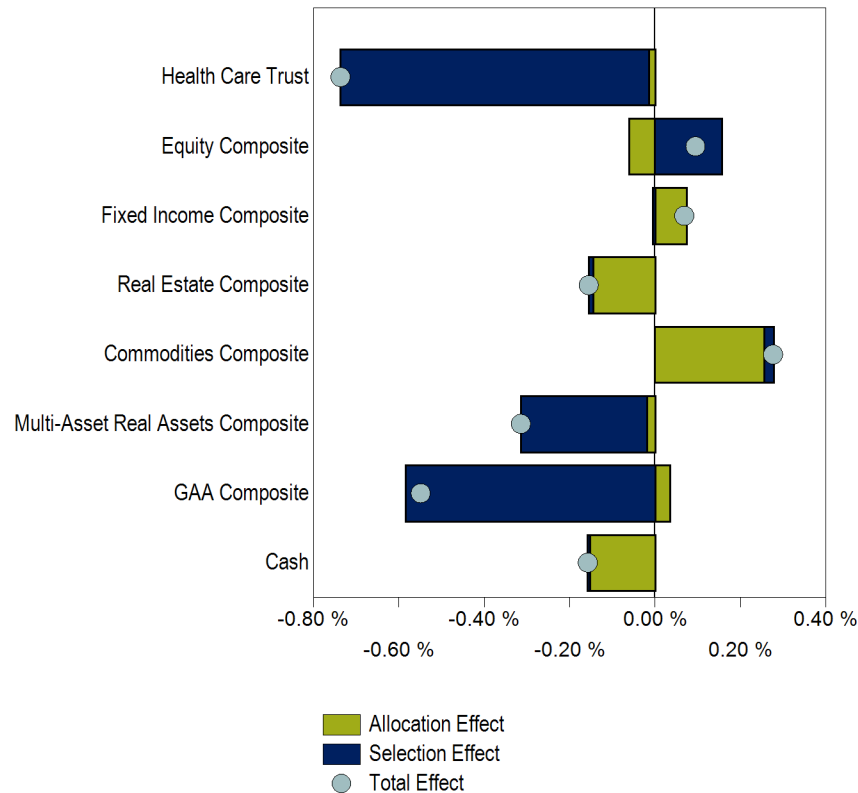
**Attribution Summary**  
1 Year Ending Sep 30, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	12.4%	12.3%	0.2%	0.1%	-0.4%	-0.3%
Fixed Income Composite	5.3%	5.2%	0.1%	0.0%	-0.3%	-0.2%
Real Estate Composite	19.7%	19.8%	-0.1%	0.0%	-0.1%	-0.1%
Commodities Composite	-2.3%	-3.1%	0.8%	0.1%	0.4%	0.5%
Multi-Asset Real Assets Composite	13.4%	6.5%	6.8%	0.1%	0.1%	0.2%
GAA Composite	4.8%	11.0%	-6.2%	-1.2%	0.0%	-1.2%
Cash	0.1%	0.2%	-0.2%	0.0%	-0.9%	-0.9%
<b>Total</b>	<b>8.1%</b>	<b>10.2%</b>	<b>-2.1%</b>	<b>-1.0%</b>	<b>-1.1%</b>	<b>-2.1%</b>

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

## Health Care Trust Attribution Analysis - Net of Fees

**Attribution Effects**  
3 Years Ending September 30, 2016



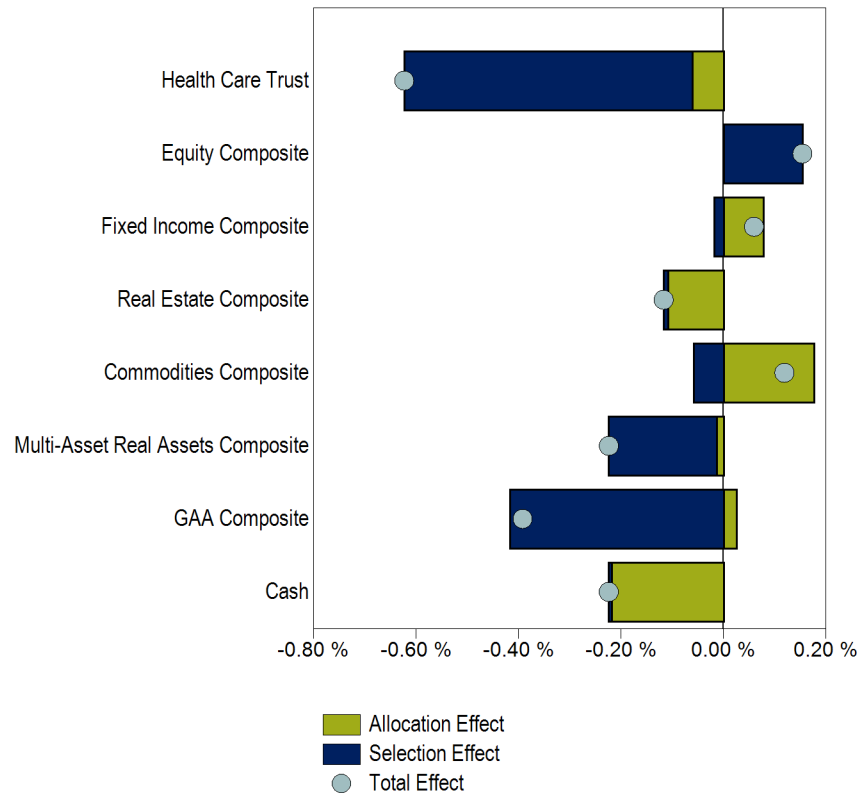
**Attribution Summary**  
3 Years Ending September 30, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	5.6%	5.2%	0.4%	0.2%	-0.1%	0.1%
Fixed Income Composite	4.0%	4.0%	0.0%	0.0%	0.1%	0.1%
Real Estate Composite	14.0%	14.1%	-0.1%	0.0%	-0.1%	-0.2%
Commodities Composite	-9.0%	-9.2%	0.2%	0.0%	0.3%	0.3%
Multi-Asset Real Assets Composite	--	--	--	-0.3%	0.0%	-0.3%
GAA Composite	--	--	--	-0.6%	0.0%	-0.5%
Cash	0.0%	0.1%	-0.1%	0.0%	-0.2%	-0.2%
<b>Total</b>	<b>3.5%</b>	<b>4.2%</b>	<b>-0.7%</b>	<b>-0.7%</b>	<b>0.0%</b>	<b>-0.7%</b>

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

## Health Care Trust Attribution Analysis - Net of Fees

**Attribution Effects**  
Since Inception Ending Sep 30, 2016



**Attribution Summary**  
Since Inception Ending Sep 30, 2016

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Equity Composite	--	9.3%	--	0.2%	0.0%	0.2%
Fixed Income Composite	--	2.5%	--	0.0%	0.1%	0.1%
Real Estate Composite	--	10.7%	--	0.0%	-0.1%	-0.1%
Commodities Composite	--	-8.5%	--	-0.1%	0.2%	0.1%
Multi-Asset Real Assets Composite	--	--	--	-0.2%	0.0%	-0.2%
GAA Composite	--	--	--	-0.4%	0.0%	-0.4%
Cash	0.0%	0.1%	-0.1%	0.0%	-0.2%	-0.2%
<b>Total</b>	<b>4.5%</b>	<b>5.2%</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>-0.1%</b>	<b>-0.6%</b>

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

## Health Care Trust Performance Summary – Net of Fees

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	Return (%)	Since
<b>Health Care Trust</b>	<b>96,749,597</b>	<b>100.0</b>	<b>1.8</b>	<b>--</b>	<b>6.1</b>	<b>--</b>	<b>8.0</b>	<b>--</b>	<b>3.5</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4.5</b>	<b>Jul-12</b>
Policy Benchmark			<u>2.6</u>	--	<u>7.4</u>	--	<u>10.2</u>	--	<u>4.2</u>	--	--	--	<u>5.2</u>	Jul-12
Over/Under			-0.8		-1.3		-2.2		-0.7				-0.7	
Allocation Index			2.1	--	6.2	--	8.6	--	4.8	--	--	--	5.6	Jul-12
<b>Equity Composite</b>	<b>29,824,666</b>	<b>30.8</b>	<b>5.4</b>	<b>44</b>	<b>7.5</b>	<b>39</b>	<b>12.4</b>	<b>42</b>	<b>5.6</b>	<b>56</b>	<b>--</b>	<b>--</b>	<b>9.9</b>	<b>Aug-12</b>
Vanguard Total World Stock Index Fund	29,824,666	30.8	5.4	44	7.5	39	12.4	42	5.6	56	--	--	9.9	Aug-12
MSCI ACWI IMI (Net)			<u>5.6</u>	41	<u>7.0</u>	44	<u>12.3</u>	44	<u>5.2</u>	61	<u>10.9</u>	65	<u>9.5</u>	Aug-12
Over/Under			-0.2		0.5		0.1		0.4				0.4	
eA All Global Equity Net Median			5.0		6.3		11.2		6.0		11.7		9.9	Aug-12
<b>Fixed Income Composite</b>	<b>16,434,304</b>	<b>17.0</b>	<b>0.4</b>	<b>65</b>	<b>6.0</b>	<b>48</b>	<b>5.3</b>	<b>48</b>	<b>4.0</b>	<b>46</b>	<b>--</b>	<b>--</b>	<b>2.4</b>	<b>Aug-12</b>
Vanguard Total Bond Market Index Fund	16,434,304	17.0	0.4	65	6.0	48	5.3	48	4.0	46	--	--	2.4	Aug-12
Barclays Aggregate			<u>0.5</u>	63	<u>5.8</u>	49	<u>5.2</u>	50	<u>4.0</u>	45	<u>3.1</u>	60	<u>2.5</u>	Aug-12
Over/Under			-0.1		0.2		0.1		0.0				-0.1	
eA All US Fixed Inc Net Median			0.8		5.6		5.2		3.8		3.7		2.9	Aug-12
<b>Real Estate Composite</b>	<b>7,014,176</b>	<b>7.2</b>	<b>-1.5</b>	<b>68</b>	<b>11.8</b>	<b>16</b>	<b>19.7</b>	<b>14</b>	<b>14.0</b>	<b>60</b>	<b>--</b>	<b>--</b>	<b>10.8</b>	<b>Aug-12</b>
Vanguard REIT Index Fund	7,014,176	7.2	-1.5	68	11.8	16	19.7	14	14.0	60	--	--	10.8	Aug-12
MSCI US REIT			<u>-1.8</u>	83	<u>10.8</u>	25	<u>18.2</u>	46	<u>12.7</u>	86	<u>14.4</u>	92	<u>9.6</u>	Aug-12
Over/Under			0.3		1.0		1.5		1.3				1.2	
eA US REIT Net Median			-1.3		9.9		18.1		14.2		15.7		10.7	Aug-12
<b>Liquid Real Assets Composite</b>	<b>8,269,900</b>	<b>8.5</b>	<b>-2.2</b>	<b>--</b>	<b>7.8</b>	<b>--</b>	<b>0.5</b>	<b>--</b>	<b>-8.7</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-9.8</b>	<b>Oct-12</b>
<b>Commodities Composite</b>	<b>7,004,663</b>	<b>7.2</b>	<b>-3.3</b>	<b>--</b>	<b>5.6</b>	<b>--</b>	<b>-2.3</b>	<b>--</b>	<b>-9.0</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-10.0</b>	<b>Oct-12</b>
Custom Commodity Risk Parity Index			<u>-3.5</u>	--	<u>4.7</u>	--	<u>-3.1</u>	--	<u>-9.2</u>	--	<u>-7.1</u>	--	<u>-9.5</u>	Oct-12
Over/Under			0.2		0.9		0.8		0.2				-0.5	
Credit Suisse	7,004,663	7.2	-3.3	--	5.6	--	-2.3	--	-9.0	--	--	--	-8.8	Nov-12
Custom Commodity Risk Parity Index			<u>-3.5</u>	--	<u>4.7</u>	--	<u>-3.1</u>	--	<u>-9.2</u>	--	<u>-7.1</u>	--	<u>-9.0</u>	Nov-12
Over/Under			0.2		0.9		0.8		0.2				0.2	
<b>Multi-Asset Real Assets Composite</b>	<b>1,265,237</b>	<b>1.3</b>	<b>3.8</b>	<b>--</b>	<b>18.9</b>	<b>--</b>	<b>13.4</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-7.0</b>	<b>Jan-14</b>
Wellington	1,265,237	1.3	3.8	--	18.9	--	13.4	--	--	--	--	--	-7.0	Jan-14
CPI + 5% (Unadjusted)			<u>1.4</u>	--	<u>5.9</u>	--	<u>6.5</u>	--	<u>6.1</u>	--	<u>6.3</u>	--	<u>6.4</u>	Jan-14
Over/Under			2.4		13.0		6.9						-13.4	

Fiscal year ends June 30.

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

## Health Care Trust Performance Summary – Net of Fees

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	Return (%)	Since
<b>GAA Composite</b>	<b>18,832,725</b>	<b>19.5</b>	<b>2.4</b>	--	<b>4.4</b>	--	<b>4.8</b>	--	--	--	--	--	<b>-2.8</b>	<b>Sep-14</b>
60% MSCI World (Net) / 40% CITI WGBI			<u>3.0</u>	--	<u>7.9</u>	--	<u>11.0</u>	--	<u>4.4</u>	--	<u>7.3</u>	--	<u>1.4</u>	Sep-14
Over/Under			-0.6		-3.5		-6.2						-4.2	
<b>GMO</b>	<b>3,227,461</b>	<b>3.3</b>	<b>3.5</b>	--	<b>4.6</b>	--	<b>6.2</b>	--	--	--	--	--	<b>-1.2</b>	<b>Sep-14</b>
CPI + 5% (Seasonally Adjusted)			<u>1.7</u>	--	<u>5.0</u>	--	<u>6.4</u>	--	<u>6.0</u>	--	<u>6.3</u>	--	<u>5.7</u>	Sep-14
Over/Under			1.8		-0.4		-0.2						-6.9	
60% MSCI World (Net) / 40% CITI WGBI			<u>3.0</u>	--	<u>7.9</u>	--	<u>11.0</u>	--	<u>4.4</u>	--	<u>7.3</u>	--	<u>1.4</u>	Sep-14
<b>PIMCO</b>	<b>8,013,115</b>	<b>8.3</b>	<b>3.9</b>	--	<b>14.7</b>	--	<b>13.2</b>	--	--	--	--	--	<b>-3.5</b>	<b>Sep-14</b>
CPI + 6.5% (Seasonally Adjusted)			<u>2.0</u>	--	<u>6.1</u>	--	<u>7.9</u>	--	<u>7.6</u>	--	<u>7.8</u>	--	<u>7.2</u>	Sep-14
Over/Under			1.9		8.6		5.3						-10.7	
60% MSCI World (Net) / 40% CITI WGBI			<u>3.0</u>	--	<u>7.9</u>	--	<u>11.0</u>	--	<u>4.4</u>	--	<u>7.3</u>	--	<u>1.4</u>	Sep-14
<b>Standard Life</b>	<b>7,592,149</b>	<b>7.8</b>	<b>0.5</b>	--	<b>-3.5</b>	--	<b>-2.3</b>	--	--	--	--	--	<b>-1.8</b>	<b>Feb-15</b>
91 Day T-Bill + 5%			<u>1.3</u>	--	<u>3.9</u>	--	<u>5.2</u>	--	<u>5.1</u>	--	<u>5.1</u>	--	<u>5.1</u>	Feb-15
Over/Under			-0.8		-7.4		-7.5						-6.9	
60% MSCI World (Net) / 40% CITI WGBI			<u>3.0</u>	--	<u>7.9</u>	--	<u>11.0</u>	--	<u>4.4</u>	--	<u>7.3</u>	--	<u>4.3</u>	Feb-15
<b>Cash</b>	<b>16,373,826</b>	<b>16.9</b>	<b>0.1</b>	--	<b>0.1</b>	--	<b>0.1</b>	--	<b>0.0</b>	--	--	--	<b>0.0</b>	<b>Jul-12</b>
Cash	16,373,826	16.9	0.1	--	0.1	--	0.1	--	0.0	--	--	--	0.0	Jul-12
91 Day T-Bills			<u>0.1</u>	--	<u>0.2</u>	--	<u>0.2</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	Jul-12
Over/Under			0.0		-0.1		-0.1		-0.1				-0.1	

Fiscal year ends June 30.

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

### Due Diligence Monitor

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

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

#### NEPC Due Diligence Committee Recommendation Key

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



NEPC, LLC

September 30, 2016

### Due Diligence Commentary

#### **PIMCO**

PIMCO announced that Emmanuel (Manny) Roman current CEO of Man Group PLC is joining them as their 5th CEO come November 1st. Doug Hodge will stay on as a Senior Advisor at least till the end of 2017. NEPC is comfortable that this transition is orderly and well planned. Manny is a well-respected CEO and has a solid track record at Man Group where he had taken the reigns since 2013. He has a broad background in both sell-side, buy-side, fixed income and equities. PIMCO in particular highlighted his skills and experience in acquisitions, and with public/client facing roles. Doug Hodge was tasked with managing the firm through the Bill Gross transition and now that the firm has stabilized PIMCO is ready for new leadership.

PIMCO started this process with a strategic review end of 2015. They decided on the need to hire a senior level executive, originally to fill the Head of Strategic Initiatives role. When they formally engaged an executive search firm to kick things off they were surprised at the amount and caliber of candidates they received (75 high profiles, mostly CEO level). Post Mohammed and Bill's departures they wanted someone internal who knew the business and their clients to help navigate tough waters and defend clients and assets. Two and a half years later PIMCO feels that they have stabilized and hence want to go on the offense pushing forward.

PIMCO released the outcomes of its recent severance package offering. Out of 93 individual proposals made, 25 were accepted. Of the 25 acceptances, only one was by a portfolio manager and one other was a client facing person. The Portfolio Manager (PM) who accepted the offer worked on the insurance desk and will be replaced. Natural attrition for PIMCO is 10% historically. NEPC believes that this result is a positive outcome for PIMCO. In addition, since the announcement, the PM on the only pure equity strategy left at PIMCO has resigned.

PIMCO recently updated the prospectus for their All Asset suite of products and made two adjustments. The first was to add CIO, Chris Brightman as co-PM alongside Rob Arnott. This does not represent a change in responsibility or roles but is a reflection of the work Mr. Brightman brings to the products. As a reminder, Chris Brightman is the CIO of Research Affiliates and broadly oversees the asset allocation models that serve as the foundation for the All Asset suite of products. We have no concern with this change. The second prospectus change involves increasing the maximum weight for international equity in the All Asset All Authority Fund. The maximum weight for international equity in the All Authority Fund will shift from 33% to 50% and brings the guideline in-line with what is currently in place for the All Asset Fund. We have no concerns with this change as well and do not expect the equity allocations to approach these maximum weights.

NEPC recommends a **No Action** due diligence rating.

## Policy Benchmark History

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

## Information Disclaimer and Reporting Methodology

### Information Disclaimer

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

### Reporting Methodology

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