

# FUND EVALUATION REPORT

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## San Jose Federated City Employees' Retirement System

Quarterly Review  
December 31, 2013



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**Executive Summary**  
**As of December 31, 2013**

**The value of the San Jose Federated City Employee' Retirement System assets was \$2.044 billion on December 31, 2013, an increase of approximately \$34 million since the end of the previous quarter.**

- Net outflows during the fourth quarter totaled approximately \$38 million.
- Fourth quarter performance was 3.6% net of fees. Fiscal year-to-date performance was 7.4%.
- During the fourth quarter, the Fund matched the Policy Benchmark.
  - Portfolio allocation detracted from relative performance by approximately -0.1%.
  - Selection effect, or the value added by managers in an asset class relative to the Policy Benchmark return for that asset class, bolstered quarterly performance by approximately 0.1%.

## Manager Highlights

- Artisan Global Value, which manages the largest active allocation in the Fund, posted a return of 9.1% net of fees compared to 7.2% for the MSCI ACWI Value Index in the fourth quarter. Over the trailing one year period, Artisan returned 32.8% net of fees compared with 22.4% for the benchmark. The three largest contributors to the portfolio's return this quarter were Google, MasterCard and Oracle. During the quarter, only a couple of securities, Kia and Flextronics, declined by any meaningful degree. Hasbro and Parker Hannifin were sold during the quarter as both companies reached Artisan's estimate of intrinsic value and the proceeds were used to fund new investments in Royal Bank of Scotland and Apple. Since the Retirement System invested in Artisan's global value portfolio in early 2011, the strategy has outperformed the benchmark by an average of 9.9% annually, net of fees, and has ranked in the 3<sup>rd</sup> percentile of the global equity peer group.
- Vontobel Emerging Market Equity underperformed the MSCI Emerging Markets Index during the fourth quarter, returning 0.2% net of fees, compared to 1.8% for the benchmark. Vontobel's lack of exposure to the Asian technology sector and financial exposure to markets such as India and Brazil impacted performance negatively during the quarter.
- Eagle Small Cap Growth underperformed the Russell 2000 Growth Index during the fourth quarter. Eagle's return was 4.5% net of fees, compared to 8.2% for the benchmark. The underperformance can be attributed to weak performers in the information technology sector, as well as below-benchmark returns in healthcare.
- Credit Suisse returned -1.2% for the quarter, and First Quadrant returned -0.8%, both slightly beating the custom risk parity benchmark's return of -1.5%. The Dow Jones-UBS Commodity Index (which can be used as a proxy for the broad commodities market) returned -1.1%.

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation	Comments
Artisan	Global Equity	Yes	---	Hold	Large cash position; Strategy closed to new separate accounts
RS Investments	U.S. Small Cap Value	Yes	---	Terminate	Significant personnel turnover
Eagle	U.S. Small Cap Growth	---	---	---	
Vontobel	Emerging Market Equity	---	---	---	
First Quadrant	Commodities	Yes	---	Hold	Personnel / Strategy changes
Credit Suisse	Commodities	---	---	---	
Medley	Private Debt	---	---	---	
White Oak	Private Debt	---	---	---	
GSO	Private Debt	---	---	---	

### Artisan

- Per account guidelines "Cash will not generally exceed seven percent (7%) of the value of the ACCOUNT. If cash exceeds seven percent (7%) on average over a two-month rolling period, MANAGER shall notify the SYSTEM and await further instructions from SYSTEM." The cash level in the account exceeded 7% (ranging from 10.9%-12.7%) during the entire reporting period. The System has not provided further instructions regarding the cash levels.

## RS Investments

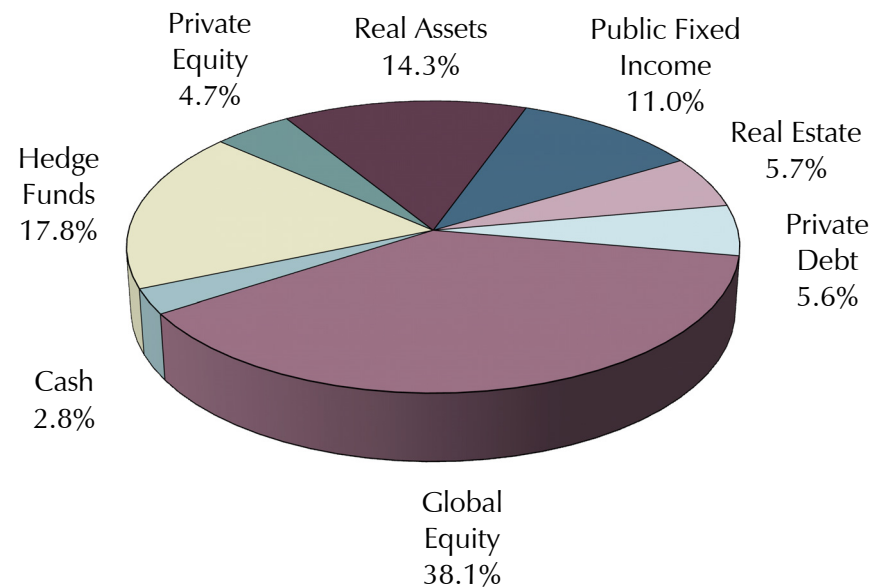
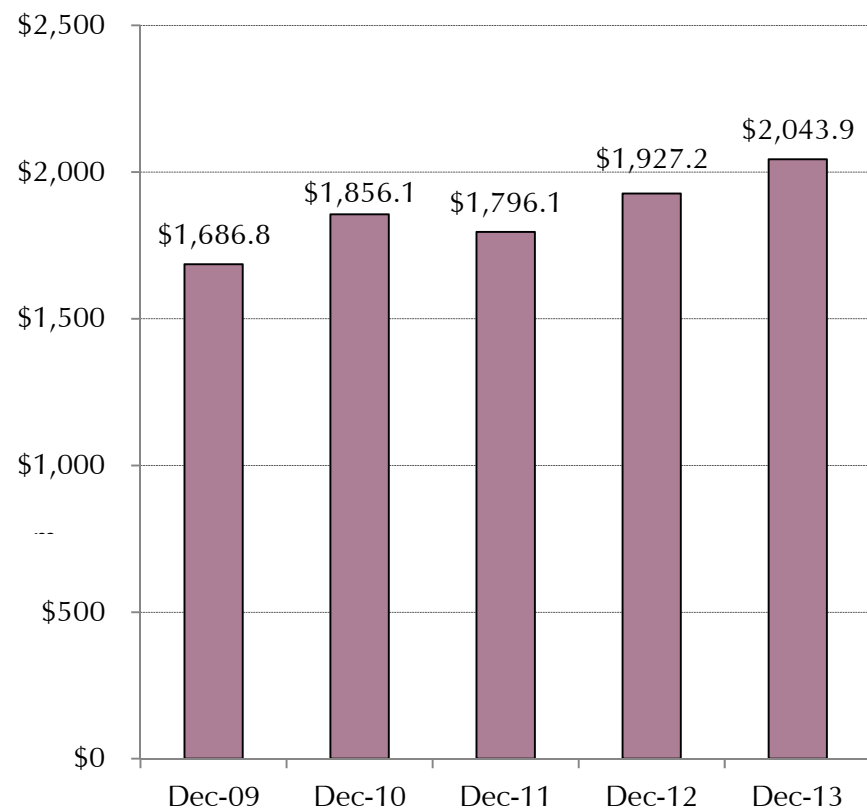
- RS Investments recently announced that five individuals on the Value investment team have left to launch their own firm. The remaining investment team managing the RS Small and Mid-Cap Value strategies is very different than the one that was originally hired and that produced the firm's successful track record. As a result, Meketa Investment Group no longer has high conviction in the RS Value team.

## First Quadrant

- Effective September 1, 2013, Jim Tufts assumed the role of Chief Operating Officer from Curt Ketterer, Partner. Mr. Ketterer retired as of December 31, 2013.

**Plan Summary**  
**As of December 31, 2013**





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 12/31/13

	Market Value 12/31/13 (\$ mm)	% of Retirement System	Russell Overlay Net Position <sup>1</sup> (%)	Adopted Sub-Asset Allocation (%)	Target Allocation (%)	Target Range (%)	Market Value 9/30/13 (\$ mm)
<b>Total Fund Aggregate</b>	<b>2,043.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>2,010.2</b>
Equity and Real Estate Assets	990.8	48.5	44.6	40	45	38-52	966.1
Global Equity <sup>2</sup>	778.3	38.1	33.8	26	NA	NA	752.7
Real Estate	116.7	5.7	6.0	5	NA	NA	118.8
Private Equity <sup>3</sup>	95.5	4.7	4.8	9	NA	NA	94.6
Hedge Funds Assets	364.8	17.8	17.8	25	25	20-30	355.8
Real Assets	292.8	14.3	20.2	20	20	15-25	306.1
Fixed Income Assets	338.7	16.6	17.4	15	10	5-20	331.6
Public Fixed Income	224.3	11.0	12.0	10	NA	NA	225.4
Private Debt <sup>3</sup>	114.5	5.6	5.4	5	NA	NA	106.2
Cash <sup>4</sup>	57.1	2.8	0.0	0	NA	NA	50.5

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

<sup>2</sup> Global Equity includes \$0.4 million of residuals from terminated managers or previous transitions.

<sup>3</sup> Fair values are based on manager reported value as of 9/30/13, adjusted for cash flows through 12/31/13.

<sup>4</sup> Cash includes the cash account, cash equitized in the Russell Investments Overlay program, cash from private manager distributions, and residuals from the Terminated Manager Account. As of 12/31/13, Russell Investments Overlay equitized \$46.7 million in cash.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/13

	Market Value 12/31/13 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/13 (\$ mm)
<b>Total Fund Aggregate</b>	<b>2,043.9</b>	<b>NA</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>2,010.2</b>
<b>Equity and Real Estate Assets</b>	<b>990.8</b>	<b>100.0</b>	<b>48.5</b>	<b>45</b>	<b>38-52</b>	<b>966.1</b>
<b>Global Equity<sup>1</sup></b>	<b>778.3</b>	<b>100.0</b>	<b>38.1</b>			<b>752.7</b>
Northern Trust Russell 3000 Index <sup>2</sup>	224.2	28.8	11.0			203.6
Artisan Global Value	134.4	17.3	6.6			123.2
Vontobel Emerging Markets Equity	133.8	17.2	6.5			133.6
Northern Trust EAFE Small Cap <sup>2</sup>	82.3	10.6	4.0			77.6
RS Investments Small Cap Value	74.1	9.5	3.6			66.2
Eagle Small Cap Growth	65.9	8.5	3.2			63.0
Northern Trust MSCI EAFE Index <sup>2</sup>	43.3	5.6	2.1			74.8
Aberdeen Frontier Markets	20.0	2.6	1.0			0.0
Northern Trust MSCI Emerging Markets Index	0.0	0.0	0.0			10.3

<sup>1</sup> Global Equity includes \$0.4 million of residuals from terminated managers or previous transitions.

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



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/13

	Market Value 12/31/13 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/13 (\$ mm)
<b>Equity and Real Estate Assets (continued)</b>						
<b>Real Estate</b>	<b>116.7</b>	<b>100.0</b>	<b>5.7</b>			<b>118.8</b>
<b>Core Real Estate</b>	<b>68.5</b>	<b>58.7</b>	<b>3.4</b>			<b>66.6</b>
PRISA I	35.0	30.0	1.7			33.8
American Core Realty Fund, LLC	33.5	28.7	1.6			32.7
<b>Private Real Estate<sup>1</sup></b>	<b>48.2</b>	<b>41.3</b>	<b>2.4</b>			<b>52.3</b>
DRA Growth & Income Fund V	17.1	14.6	0.8			17.8
DRA Growth & Income Fund VII	12.8	11.0	0.6			11.6
Fidelity Real Estate Growth Fund III, L.P.	8.7	7.4	0.4			11.2
DRA Growth & Income Fund VI	7.8	6.7	0.4			9.5
GEAM Value Add Realty Partners II, L.P.	1.7	1.5	< 0.1			2.2
<b>Private Equity<sup>1</sup></b>	<b>95.5</b>	<b>100.0</b>	<b>4.7</b>			<b>94.6</b>
Pantheon USA Fund VII	33.1	34.6	1.6			32.0
Pathway Private Equity Fund VIII	24.8	25.9	1.2			24.7
Pantheon Global Secondary Fund III	19.8	20.7	1.0			20.5
Partners Group Secondary 2008	8.4	8.8	0.4			8.6
Partners Group Secondary 2011	6.3	6.6	0.3			5.9
Great Hill Equity Partners IV	3.2	3.4	0.2			2.7

<sup>1</sup> Fair values are based on manager reported value as of 9/30/13, adjusted for cash flows through 12/31/13.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/13

	Market Value 12/31/13 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/13 (\$ mm)
<b>Hedge Funds Assets<sup>1</sup></b>	<b>364.8</b>	<b>100.0</b>	<b>17.8</b>	<b>25</b>	<b>20-30</b>	<b>355.8</b>
Arrowgrass International Fund Ltd	33.3	9.1	1.6			32.6
Pine River Fund Ltd	33.0	9.1	1.6			32.9
Davidson Kempner Institutional Partners, L.P.	32.4	8.9	1.6			31.8
DE Shaw	32.3	8.9	1.6			31.4
Hudson Bay Fund	31.3	8.6	1.5			30.0
Brevan Howard Multi-Strategy Fund Ltd	30.8	8.5	1.5			30.4
Senator Global Opportunity Offshore Fund	23.1	6.3	1.1			21.7
Horizon Portfolio I	21.2	5.8	1.0			20.5
Sandler Plus Offshore Fund Ltd	21.2	5.8	1.0			20.6
Amici Offshore, Ltd.	20.4	5.6	1.0			19.6
Global Ascent Ltd	20.3	5.6	1.0			19.2
Claren Road Credit Fund	19.7	5.4	1.0			19.5
BlueCrest	16.8	4.6	0.8			16.7
CCP Quantitative Fund	14.7	4.0	0.7			15.0
Kepos Alpha Fund	14.1	3.9	0.7			13.9

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



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/13

	Market Value 12/31/13 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/13 (\$ mm)
<b>Real Assets</b>	<b>292.8</b>	<b>100.0</b>	<b>14.3</b>	<b>20</b>	<b>15-25</b>	<b>306.1</b>
<b>Commodities</b>	<b>195.9</b>	<b>66.9</b>	<b>9.6</b>			<b>198.0</b>
CS Risk Parity Commodity Index	116.9	39.9	5.7			118.4
First Quadrant Risk Parity Commodity Index	79.0	27.0	3.9			79.7
<b>Natural Resources</b>	<b>96.9</b>	<b>33.1</b>	<b>4.7</b>			<b>108.1</b>
Northern Trust Global LargeMid NR	96.9	33.1	4.7			108.1
<b>Fixed Income Assets</b>	<b>338.7</b>	<b>100.0</b>	<b>16.6</b>	<b>10</b>	<b>5-20</b>	<b>331.6</b>
<b>Public Fixed Income</b>	<b>224.3</b>	<b>100.0</b>	<b>11.0</b>			<b>225.4</b>
Northern Trust Intermediate Gov't 1-10 Year <sup>1</sup>	113.6	50.7	5.6			114.1
Russell Investments Barclays U.S. TIPS	110.6	49.3	5.4			111.3
<b>Private Debt<sup>2</sup></b>	<b>114.5</b>	<b>100.0</b>	<b>5.6</b>			<b>106.2</b>
White Oak Direct Lending Account	43.8	38.3	2.1			42.9
Medley Opportunity Fund II	37.1	32.4	1.8			28.2
GSO Direct Lending Account	33.5	29.3	1.6			35.1
<b>Cash<sup>3</sup></b>	<b>57.1</b>	<b>100.0</b>	<b>2.8</b>			<b>50.5</b>
<i>Russell Investments Overlay Equitized Cash</i>						100.7

<sup>1</sup> Market value based on manager reported data because custodian reported NAV was not current.

<sup>2</sup> Fair values are based on manager reported value as of 9/30/13, adjusted for cash flows through 12/31/13.

<sup>3</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. As of 12/31/13, Russell Investments Overlay equitized \$46.7 million in cash.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 12/31/13

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate<sup>2</sup></b>	<b>3.6</b>	<b>7.4</b>	<b>8.7</b>	<b>5.5</b>	<b>9.6</b>	<b>5.8</b>	<b>1/1/94</b>	<b>7.5</b>
<b>Net of Fees<sup>3</sup></b>	<b>3.6</b>	<b>7.4</b>	<b>8.6</b>	<b>5.4</b>	<b>9.5</b>	<b>5.6</b>		<b>7.3</b>
<b>Total Fund Aggregate ex Overlay</b>	<b>3.6</b>	<b>7.4</b>	<b>8.5</b>	<b>5.4</b>	<b>9.6</b>	<b>5.8</b>	<b>1/1/94</b>	<b>7.5</b>
<b>Net of Fees ex Overlay</b>	<b>3.6</b>	<b>7.4</b>	<b>8.4</b>	<b>5.3</b>	<b>9.4</b>	<b>5.6</b>		<b>7.3</b>
<i>CPI (inflation)</i>	-0.5	-0.2	1.5	2.1	2.1	2.4		2.4
<i>San Jose FCERS Policy Benchmark<sup>4</sup></i>	3.6	7.8	11.2	6.1	10.2	6.2		7.6
<i>San Jose FCERS Custom Benchmark<sup>5</sup></i>	3.5	7.4	9.8	5.6	NA	NA		NA
<i>Public Plans &gt; \$1 Billion Universe (Median)<sup>6</sup></i>	5.0	10.1	15.2	9.7	12.5	7.3		NA

<sup>1</sup> Fiscal Year ends June 30.

<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 34 of the Plan Summary for composition of the Policy Benchmark.

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

<sup>6</sup> Universe data provided by InvestMetrics. Returns are gross of fees.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 12/31/13

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate</b>								
<b>Equity and Real Estate Assets</b>	<b>6.2</b>	<b>12.8</b>	<b>20.3</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>17.5</b>
Global Equity	6.9	14.5	22.1	9.7	NA	NA	5/1/10	10.9
<i>MSCI ACWI IMI</i>	7.2	16.1	23.6	9.8	15.6	7.6		10.7
Real Estate <sup>2</sup>	3.1	6.4	12.3	12.0	-1.1	5.4	1/1/94	8.4
<i>NCREIF Property (lagged one qtr.)</i>	2.5	5.2	11.0	12.0	5.7	8.7		9.4
Private Equity <sup>3</sup>	4.5	7.8	14.6	13.2	6.8	NA	1/1/06	5.1
<i>Venture Economics PE Composite (lagged one qtr.)</i>	4.9	8.5	18.1	14.8	10.3	13.2		10.9
<b>Hedge Funds Assets<sup>4</sup></b>	<b>2.5</b>	<b>2.9</b>	<b>5.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>5.7</b>
<i>HFRI Fund of Funds Composite</i>	3.4	5.2	8.7	2.4	4.8	3.4		8.9
<b>Real Assets</b>	<b>0.6</b>	<b>6.0</b>	<b>-8.1</b>	<b>-4.9</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>-0.3</b>
<i>Custom Risk Parity Benchmark<sup>5</sup></i>	-1.5	2.5	-9.2	NA	NA	NA		NA
<i>S&amp;P Global Infrastructure Index</i>	4.5	12.4	15.0	8.4	11.0	NA		9.0
<i>Dow Jones-UBS Commodity U.S. Index</i>	-1.1	1.1	-9.5	-8.2	1.4	-0.3		-1.8
<i>CPI (inflation) + 5%</i>	0.8	2.3	6.6	7.2	7.2	7.5		6.9

<sup>1</sup> Fiscal Year ends June 30.

<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> All manager returns are presented one quarter lagged.

<sup>4</sup> NAV and performance provided by Albourne.

<sup>5</sup> Risk Parity Benchmark returns provided by Credit Suisse.





# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 12/31/13

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate</b>								
<b>Fixed Income Assets</b>	<b>0.6</b>	<b>1.6</b>	<b>1.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>4.2</b>
Public Fixed Income	-0.5	0.0	-2.2	3.9	6.8	5.2	1/1/94	6.1
<i>Barclays U.S. TIPS</i>	-2.0	-1.3	-8.6	3.5	5.6	4.8		NA
<i>Barclays U.S. TIPS 1-5 Years</i>	-0.2	0.4	-2.0	1.8	4.1	NA		NA
<i>Barclays Intermediate Gov't Bond Index</i>	-0.4	0.0	-1.2	2.1	2.2	3.7		5.0
Private Debt <sup>2</sup>	2.9	5.0	9.2	7.6	NA	NA	12/1/10	7.4
<i>3 Month Libor + 5%</i>	1.3	2.6	5.3	5.4	5.5	7.2		5.4
<b>Russell Investments Overlay<sup>3</sup></b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/11</b>	<b>0.1</b>

<sup>1</sup> Fiscal Year ends June 30.

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

<sup>3</sup> Overlay returns provided by Russell Investments.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 12/31/13

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets</b>	<b>6.2</b>	<b>12.8</b>	<b>20.3</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>17.5</b>
<b>Global Equity</b>	<b>6.9</b>	<b>14.5</b>	<b>22.1</b>	<b>9.7</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>10.9</b>
Northern Trust Russell 3000 Index	10.1	17.1	33.6	16.3	18.9	8.0	9/1/99	5.2
Net of Fees	10.1	17.1	33.6	16.3	18.9	8.0		5.2
<i>Russell 3000</i>	<i>10.1</i>	<i>17.1</i>	<i>33.6</i>	<i>16.2</i>	<i>18.7</i>	<i>7.9</i>		<i>5.1</i>
Artisan Global Value	9.1	17.5	33.6	NA	NA	NA	3/1/11	18.4
Net of Fees	9.1	17.3	32.8	NA	NA	NA		17.7
<i>MSCI ACWI Value</i>	<i>7.2</i>	<i>14.8</i>	<i>22.4</i>	<i>9.4</i>	<i>13.7</i>	<i>7.0</i>		<i>7.8</i>
<i>Peer Global Equity</i>	<i>8.3</i>	<i>18.4</i>	<i>29.1</i>	<i>12.7</i>	<i>17.7</i>	<i>9.3</i>		<i>11.6</i>
<i>Peer Ranking (percentile)</i>	<i>28</i>	<i>61</i>	<i>23</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>		<i>3</i>
Vontobel Emerging Markets Equity	0.4	-0.5	NA	NA	NA	NA	7/1/13	-0.5
Net of Fees	0.2	-0.8	NA	NA	NA	NA		-0.8
<i>MSCI Emerging Markets</i>	<i>1.8</i>	<i>7.7</i>	<i>-2.6</i>	<i>-2.1</i>	<i>14.8</i>	<i>11.2</i>		<i>7.7</i>
<i>Peer Emerging Markets</i>	<i>2.9</i>	<i>8.7</i>	<i>0.2</i>	<i>-0.4</i>	<i>16.1</i>	<i>11.9</i>		<i>8.7</i>
<i>Peer Ranking (percentile)</i>	<i>90</i>	<i>97</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>		<i>97</i>

<sup>1</sup> Fiscal Year ends June 30.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 12/31/13

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets (continued)</b>								
Northern Trust EAFE Small Cap	5.9	22.3	29.5	NA	NA	NA	11/1/12	30.2
Net of Fees	5.9	22.3	29.4	NA	NA	NA		30.2
<i>MSCI EAFE Small Cap</i>	5.9	22.3	29.3	9.3	18.5	9.5		30.1
RS Investments Small Cap Value	11.8	21.4	45.3	17.9	NA	NA	8/1/10	22.9
Net of Fees	11.8	20.9	44.5	17.2	NA	NA		22.1
<i>Russell 2000 Value</i>	9.3	17.6	34.5	14.5	17.6	8.6		18.2
<i>Peer Small Cap Value</i>	9.9	19.4	38.4	16.6	21.2	10.6		20.6
<i>Peer Ranking (percentile)</i>	14	24	12	21	NA	NA		9
Eagle Small Cap Growth	4.6	16.5	36.1	16.1	24.2	12.6	6/1/98	8.7
Net of Fees	4.5	16.1	35.1	15.5	23.5	11.9		8.1
<i>Russell 2000 Growth</i>	8.2	22.0	43.3	16.8	22.6	9.4		6.0
<i>Peer Small Cap Growth</i>	8.4	21.9	42.7	18.1	23.7	10.8		9.7
<i>Peer Ranking (percentile)</i>	99	96	81	71	41	5		62
Northern Trust MSCI EAFE Index	5.7	18.0	23.2	NA	NA	NA	11/1/12	25.4
Net of Fees	5.7	18.0	23.1	NA	NA	NA		25.4
<i>MSCI EAFE</i>	5.7	17.9	22.8	8.2	12.4	6.9		25.0

<sup>1</sup> Fiscal Year ends June 30.



	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets (continued)</b>								
Aberdeen Frontier Markets	NA	NA	NA	NA	NA	NA	12/1/13	0.8
Net of Fees	NA	NA	NA	NA	NA	NA		0.7
<i>MSCI Frontier Markets</i>	6.6	13.3	25.9	3.7	9.0	6.8		2.2
<i>Peer Frontier Markets</i>	7.0	14.4	24.7	9.6	15.4	NA		2.0
<i>Peer Ranking (percentile)</i>	NA	NA	NA	NA	NA	NA		NA
<b>Real Estate<sup>2</sup></b>	<b>3.1</b>	<b>6.4</b>	<b>12.3</b>	<b>12.0</b>	<b>-1.1</b>	<b>5.4</b>	<b>1/1/94</b>	<b>8.4</b>
<b>Core Real Estate</b>	<b>2.9</b>	<b>6.3</b>	<b>12.6</b>	<b>12.7</b>	<b>NA</b>	<b>NA</b>	<b>7/1/09</b>	<b>8.4</b>
PRISA I	3.6	7.4	14.7	14.4	3.1	NA	7/1/04	6.5
Net of Fees	3.4	7.0	13.7	13.3	2.1	NA		5.5
<i>NCREIF ODCE Equal Weighted</i>	3.1	6.6	13.4	13.4	3.3	6.8		6.5
American Core Realty Fund, LLC	2.6	6.1	12.4	12.9	2.3	NA	1/1/07	3.2
Net of Fees	2.4	5.6	11.3	11.8	1.3	NA		2.1
<i>NCREIF ODCE Equal Weighted</i>	3.1	6.6	13.4	13.4	3.3	6.8		2.9

<sup>1</sup> Fiscal Year ends June 30.

<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.

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets (continued)</b>								
<b>Private Real Estate<sup>2,3</sup></b>	<b>3.5</b>	<b>6.6</b>	<b>12.2</b>	<b>11.5</b>	<b>NA</b>	<b>NA</b>	<b>7/1/09</b>	<b>-1.0</b>
DRA Growth & Income Fund V	0.9	3.5	5.4	5.8	-2.4	NA	1/1/06	1.6
NCREIF Property (lagged one qtr.)	2.5	5.2	11.0	12.0	5.7	8.7		6.6
DRA Growth & Income Fund VII	3.1	6.9	14.4	NA	NA	NA	4/1/12	14.9
NCREIF Property (lagged one qtr.)	2.5	5.2	11.0	12.0	5.7	8.7		10.8
Fidelity Real Estate Growth Fund III, L.P.	5.1	9.2	16.5	13.6	-14.5	NA	1/1/08	-17.9
NCREIF Property (lagged one qtr.)	2.5	5.2	11.0	12.0	5.7	8.7		3.5
DRA Growth & Income Fund VI	4.7	6.8	11.3	14.2	3.6	NA	1/1/08	4.5
NCREIF Property (lagged one qtr.)	2.5	5.2	11.0	12.0	5.7	8.7		3.5
GEAM Value Add Realty Partners II, L.P.	3.7	8.4	23.9	16.5	-11.0	NA	1/1/07	-11.4
NCREIF Property (lagged one qtr.)	2.5	5.2	11.0	12.0	5.7	8.7		5.2

<sup>1</sup> Fiscal Year ends June 30.

<sup>2</sup> Returns are time-weighted and lagged. Meketa Investment Group recommends that the Trustees use dollar-weighted (IRR) returns as shown in the quarterly Private Markets report in order to evaluate private markets managers.

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

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets (continued)</b>								
<b>Private Equity<sup>2,3</sup></b>	<b>4.5</b>	<b>7.8</b>	<b>14.6</b>	<b>13.2</b>	<b>6.8</b>	<b>NA</b>	<b>1/1/06</b>	<b>5.1</b>
Pantheon USA Fund VII	5.1	9.0	16.9	14.2	NA	NA	1/1/07	NA
Venture Economics PE Composite (lagged one qtr.)	4.9	8.5	18.1	14.8	10.3	13.2		9.7
Pathway Private Equity Fund VIII	5.3	8.4	19.1	15.6	NA	NA	8/1/04	NA
Venture Economics PE Composite (lagged one qtr.)	4.9	8.5	18.1	14.8	10.3	13.2		12.7
Pantheon Global Secondary Fund III	0.4	3.0	4.3	5.5	NA	NA	1/1/07	NA
Venture Economics PE Composite (lagged one qtr.)	4.9	8.5	18.1	14.8	10.3	13.2		9.7
Partners Group Secondary 2008	7.7	10.6	15.1	14.9	NA	NA	12/1/08	NA
Venture Economics PE Composite (lagged one qtr.)	4.9	8.5	18.1	14.8	10.3	13.2		8.4
Partners Group Secondary 2011	6.7	10.6	16.0	NA	NA	NA	11/1/12	53.9
Venture Economics PE Composite (lagged one qtr.)	4.9	8.5	18.1	14.8	10.3	13.2		19.0
Great Hill Equity Partners IV	3.8	8.4	29.6	29.9	NA	NA	10/1/08	NA
Venture Economics PE Composite (lagged one qtr.)	4.9	8.5	18.1	14.8	10.3	13.2		8.1

<sup>1</sup> Fiscal Year ends June 30.

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

<sup>3</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.

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 12/31/13

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Hedge Fund Assets<sup>2</sup></b>	<b>2.5</b>	<b>2.9</b>	<b>5.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>5.7</b>
Arrowgrass International Fund Ltd	2.2	3.4	9.0	NA	NA	NA	11/1/12	9.4
<i>HFRI Relative Value Index</i>	2.3	3.9	7.0	5.8	10.7	6.4		7.6
Pine River Fund Ltd	0.4	2.8	10.1	NA	NA	NA	1/1/13	10.1
<i>HFRI Relative Value Index</i>	2.3	3.9	7.0	5.8	10.7	6.4		7.0
Davidson Kempner Institutional Partners, L.P.	1.8	3.8	NA	NA	NA	NA	2/1/13	8.0
<i>HFRI Event Driven Index</i>	3.9	6.7	12.6	5.8	10.6	7.0		10.1
DE Shaw	2.8	3.7	NA	NA	NA	NA	4/1/13	7.7
<i>HFRI Fund Weighted Composite Index</i>	3.5	5.7	9.1	3.2	7.8	5.7		5.4
Hudson Bay Fund	4.1	NA	NA	NA	NA	NA	8/1/13	4.2
<i>HFRI Relative Value Index</i>	2.3	3.9	7.0	5.8	10.7	6.4		3.3
Brevan Howard Multi-Strategy Fund Ltd	1.5	0.3	1.4	NA	NA	NA	12/1/12	2.5
<i>HFRI Macro Index</i>	1.8	0.5	-0.5	-1.6	1.5	4.2		0.5
Senator Global Opportunity Offshore Fund	6.6	11.6	NA	NA	NA	NA	4/1/13	15.5
<i>HFRI Event Driven Index</i>	3.9	6.7	12.6	5.8	10.6	7.0		8.6

<sup>1</sup> Fiscal Year ends June 30.

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



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 12/31/13

	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Hedge Fund Assets<sup>2</sup> (continued)</b>								
Horizon Portfolio I	3.3	6.0	NA	NA	NA	NA	7/1/13	6.0
<i>HFRI Equity Hedge (Long/Short Equity)</i>	4.7	9.0	14.3	4.0	9.1	5.3		9.0
Sandler Plus Offshore Fund Ltd	3.0	7.3	NA	NA	NA	NA	5/1/13	6.0
<i>HFRI Equity Hedge (Long/Short Equity)</i>	4.7	9.0	14.3	4.0	9.1	5.3		8.6
Amici Offshore, Ltd.	4.0	4.7	NA	NA	NA	NA	3/1/13	2.2
<i>HFRI Equity Hedge (Long/Short Equity)</i>	4.7	9.0	14.3	4.0	9.1	5.3		10.3
Global Ascent Ltd	6.0	2.2	NA	NA	NA	NA	3/1/13	1.6
<i>HFRI Macro Systematic Diversified</i>	3.1	0.2	-0.8	-2.3	0.1	6.4		-1.1
Claren Road Credit Fund	1.2	-1.3	NA	NA	NA	NA	7/1/13	-1.3
<i>HFRI RV Fixed Income-Corporate Index</i>	2.6	4.2	5.8	5.8	11.6	5.3		4.2
BlueCrest	0.9	-1.2	NA	NA	NA	NA	4/1/13	-15.8
<i>Barclay BTOP50 Index</i>	3.1	0.3	0.7	-1.8	-0.8	2.5		-1.2
CCP Quantitative Fund	-1.9	-10.8	NA	NA	NA	NA	4/1/13	-26.6
<i>Barclay BTOP50 Index</i>	3.1	0.3	0.7	-1.8	-0.8	2.5		-1.2

<sup>1</sup> Fiscal Year ends June 30.

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





	4Q13 (%)	Fiscal <sup>1</sup> YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Hedge Funds Assets<sup>2</sup> (continued)</b>								
Kepos Alpha Fund	1.2	4.5	NA	NA	NA	NA	3/1/13	-5.9
<i>HFRI Macro Systematic Diversified</i>	3.1	0.2	-0.8	-2.3	0.1	6.4		-1.1
<b>Real Assets</b>	<b>0.6</b>	<b>6.0</b>	<b>-8.1</b>	<b>-4.9</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>-0.3</b>
<b>Commodities</b>	<b>-1.1</b>	<b>3.0</b>	<b>-11.2</b>	<b>-7.3</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>-1.1</b>
CS Risk Parity Commodity Index <sup>3</sup>	-1.2	2.9	-8.8	NA	NA	NA	4/1/11	-7.1
<i>Custom Risk Parity Benchmark<sup>4</sup></i>	-1.5	2.5	-9.2	NA	NA	NA		-7.4
<i>Dow Jones-UBS Commodity U.S. Index</i>	-1.1	1.1	-9.5	-8.2	1.4	-0.3		-10.3
First Quadrant Risk Parity Commodity Index <sup>3</sup>	-0.8	3.4	-13.6	NA	NA	NA	4/1/11	-10.9
<i>Custom Risk Parity Benchmark<sup>4</sup></i>	-1.5	2.5	-9.2	NA	NA	NA		-7.4
<i>Dow Jones-UBS Commodity U.S. Index</i>	-1.1	1.1	-9.5	-8.2	1.4	-0.3		-10.3
<b>Natural Resources</b>	<b>3.8</b>	<b>11.9</b>	<b>-1.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>-0.7</b>
Northern Trust Global LargeMid NR	3.8	11.9	-2.4	NA	NA	NA	11/1/12	-1.2
Net of Fees	3.8	11.8	-2.4	NA	NA	NA		-1.2
<i>S&amp;P Global LargeMid Cap Commodities and Resources</i>	4.0	11.9	-2.6	-3.2	11.4	NA		-1.3

<sup>1</sup> Fiscal Year ends June 30.

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

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

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

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 12/31/13

	4Q13 (%)	Fiscal' YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Fixed Income Assets</b>	<b>0.6</b>	<b>1.6</b>	<b>1.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>4.2</b>
<b>Public Fixed Income</b>	<b>-0.5</b>	<b>0.0</b>	<b>-2.2</b>	<b>3.9</b>	<b>6.8</b>	<b>5.2</b>	<b>1/1/94</b>	<b>6.1</b>
Northern Trust Intermediate Gov't 1-10 Year	-0.4	0.0	-1.3	NA	NA	NA	10/1/12	-1.0
Net of Fees	-0.4	0.0	-1.3	NA	NA	NA		-1.0
<i>Barclays Intermediate Gov't Bond Index</i>	-0.4	0.0	-1.2	2.1	2.2	3.7		-1.0
Russell Investments Barclays U.S. TIPS	-0.6	0.1	-3.1	3.7	NA	NA	5/1/10	3.9
Net of Fees	-0.6	0.0	-3.1	3.7	NA	NA		3.9
<i>TIPS Blended Benchmark<sup>2</sup></i>	-1.1	-0.4	-5.3	3.3	NA	NA		3.7
<i>Barclays U.S. TIPS</i>	-2.0	-1.3	-8.6	3.5	5.6	4.8		3.8
<i>Barclays U.S. TIPS 1-5 Years</i>	-0.2	0.4	-2.0	1.8	4.1	NA		2.1
<b>Private Debt<sup>3,4</sup></b>	<b>2.9</b>	<b>5.0</b>	<b>9.2</b>	<b>7.6</b>	<b>NA</b>	<b>NA</b>	<b>12/1/10</b>	<b>7.4</b>
White Oak Direct Lending Account	4.1	5.3	9.4	NA	NA	NA	2/1/11	5.0
<i>3 Month Libor + 5%</i>	1.3	2.6	5.3	5.4	5.5	7.2		5.4
Medley Opportunity Fund II	1.9	4.8	8.8	NA	NA	NA	6/1/11	7.4
<i>3 Month Libor + 5%</i>	1.3	2.6	5.3	5.4	5.5	7.2		5.4
GSO Direct Lending Account	2.4	4.2	8.4	NA	NA	NA	3/1/11	16.5
<i>3 Month Libor + 5%</i>	1.3	2.6	5.3	5.4	5.5	7.2		5.4

<sup>1</sup> Fiscal Year ends June 30.

<sup>2</sup> The TIPS Blended Benchmark Consists of 50% Barclays U.S. TIPS & 50% Barclays U.S. TIPS 1-5 years. Prior to January 1, 2012, it was comprised of 100% Russell Investments Barclays U.S. TIPS.

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

<sup>4</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

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Total Fund Aggregate<sup>1</sup></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>11.4</b>
<b>Net of Fees<sup>1</sup></b>	<b>8.6</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>11.1</b>
<b>Total Fund Aggregate ex Overlay<sup>1</sup></b>	<b>8.5</b>	<b>9.7</b>	<b>-1.4</b>	<b>13.0</b>	<b>19.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>
<b>Net of Fees ex Overlay</b>	<b>8.4</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>11.1</b>
<i>CPI (inflation)</i>	<i>1.5</i>	<i>1.7</i>	<i>3.0</i>	<i>1.5</i>	<i>2.7</i>	<i>0.1</i>	<i>4.1</i>	<i>2.5</i>	<i>3.4</i>	<i>3.3</i>
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	<i>11.2</i>	<i>9.4</i>	<i>-1.7</i>	<i>14.4</i>	<i>19.0</i>	<i>-22.8</i>	<i>8.2</i>	<i>13.5</i>	<i>6.7</i>	<i>10.8</i>
<i>San Jose FCERS Custom Benchmark<sup>3</sup></i>	<i>9.8</i>	<i>10.2</i>	<i>-2.6</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>
<i>Public Plans &gt; \$1 Billion Universe (Median)<sup>4</sup></i>	<i>15.2</i>	<i>13.4</i>	<i>0.7</i>	<i>12.5</i>	<i>19.4</i>	<i>-24.2</i>	<i>7.9</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>

<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> Please see page 34 of the Plan Summary for composition of the 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.

<sup>4</sup> Universe data provided by InvestMetrics.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Total Fund Aggregate</b>										
<b>Equity and Real Estate Assets</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>NA</b>
Global Equity	22.1	16.0	-6.9	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI IMI</i>	23.6	16.4	-7.9	14.3	36.4	-42.3	11.2	20.9	11.5	16.4
Real Estate <sup>1</sup>	12.7	8.9	14.9	7.7	-37.7	-5.4	23.4	13.2	22.9	10.3
<i>NCREIF Property</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
Private Equity <sup>2</sup>	14.6	9.5	15.6	10.9	-13.5	-4.0	15.5	-3.5	NA	NA
<i>Venture Economics Private Equity Composite</i>	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
<b>Hedge Funds Assets</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>NA</b>
<i>HFRI Fund of Funds Composite</i>	8.7	4.8	-5.7	5.7	11.5	-21.4	10.3	10.4	7.5	6.9
<b>Real Assets</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>NA</b>
<i>Custom Risk Parity Benchmark<sup>3</sup></i>	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Infrastructure Index</i>	15.0	11.1	-0.4	5.8	25.3	-39.0	23.2	NA	NA	NA
<i>Dow Jones-UBS Commodity U.S. Index</i>	-9.5	-1.1	-13.4	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1
<i>CPI (inflation) + 5%</i>	6.6	6.8	8.1	6.6	7.8	5.1	9.3	7.7	8.7	8.5

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



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Total Fund Aggregate (continued)</b>										
<b>Fixed Income Assets</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>NA</b>
Public Fixed Income	-2.2	5.4	8.7	7.2	15.9	-1.3	6.7	5.8	0.8	6.3
<i>Barclays U.S. TIPS</i>	-8.6	7.0	13.6	6.3	11.4	-2.4	11.6	0.4	2.8	8.5
<i>Barclays U.S. TIPS 1-5 Years</i>	-2.0	2.7	4.9	3.9	11.5	-2.5	10.3	2.4	1.6	NA
<i>Barclays Intermediate Gov't Bond Index</i>	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	3.8	1.7	2.3
Private Debt <sup>1</sup>	9.2	10.8	2.8	NA	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5	6.5

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



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Equity and Real Estate Assets</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>NA</b>
<b>Global Equity</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>	<b>NA</b>
Northern Trust Russell 3000 Index	33.6	16.5	1.1	17.2	28.9	-37.3	5.3	15.8	6.2	12.0
Net of Fees	33.6	16.5	1.1	17.2	28.9	-37.3	5.2	15.8	6.2	12.0
<i>Russell 3000</i>	33.6	16.4	1.0	16.9	28.3	-37.3	5.1	15.7	6.1	11.9
Artisan Global Value	33.6	20.8	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	32.8	20.2	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI Value</i>	22.4	15.6	-7.3	10.2	31.7	-41.5	6.7	25.6	10.8	19.1
Vontobel Emerging Markets Equity	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Emerging Markets</i>	-2.6	18.2	-18.4	18.9	78.5	-53.3	39.4	32.2	34.0	25.6
Northern Trust EAFE Small Cap	29.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	29.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Small Cap</i>	29.3	20.0	-15.9	22.0	46.8	-47.0	1.4	19.3	26.2	30.8
RS Investments Small Cap Value	45.3	21.6	-7.1	NA	NA	NA	NA	NA	NA	NA
Net of Fees	44.5	20.9	-7.9	NA	NA	NA	NA	NA	NA	NA
<i>Russell 2000 Value</i>	34.5	18.1	-5.5	24.5	20.6	-28.9	-9.8	23.5	4.7	22.2



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Equity and Real Estate Assets (continued)</b>										
Eagle Small Cap Growth	36.1	17.7	-2.3	34.4	40.3	-35.8	12.7	21.4	4.2	20.8
Net of Fees	35.1	17.3	-2.9	33.7	39.5	-36.1	12.0	20.7	3.6	20.0
<i>Russell 2000 Growth</i>	43.3	14.6	-2.9	29.1	34.5	-38.5	7.0	13.3	4.2	14.3
Northern Trust MSCI EAFE Index	23.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	23.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE</i>	22.8	17.3	-12.1	7.7	31.8	-43.4	11.2	26.3	13.5	20.2
Aberdeen Frontier Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Frontier Markets</i>	25.9	8.9	-18.7	23.8	11.6	-54.1	41.9	-8.9	72.7	22.6
<b>Real Estate<sup>1</sup></b>	<b>12.7</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>10.3</b>
<b>Core Real Estate</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>	<b>NA</b>
PRISA I	14.7	9.7	19.1	18.4	-34.2	-13.0	17.5	16.2	23.3	NA
Net of Fees	13.7	8.7	17.9	17.0	-34.9	-13.7	16.5	15.1	22.1	NA
<i>NCREIF ODCE Equal Weighted</i>	13.4	11.0	16.0	16.1	-30.7	-10.4	16.1	16.1	20.2	12.6
American Core Realty Fund, LLC	12.4	11.3	15.1	11.2	-30.0	-5.3	17.3	NA	NA	NA
Net of Fees	11.3	10.2	13.8	10.1	-30.7	-6.3	16.2	NA	NA	NA
<i>NCREIF ODCE Equal Weighted</i>	13.4	11.0	16.0	16.1	-30.7	-10.4	16.1	16.1	20.2	12.6

<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.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Equity and Real Estate Assets (continued)</b>										
<b>Private Real Estate</b>	<b>12.9</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>	<b>NA</b>
DRA Growth & Income Fund V <sup>1</sup>	5.4	4.8	7.2	-1.0	-24.3	2.8	18.7	5.3	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
DRA Growth & Income Fund VII <sup>1</sup>	14.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
Fidelity Real Estate Growth Fund III, L.P. <sup>1</sup>	16.5	14.7	9.6	38.3	-77.5	-32.6	NA	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
DRA Growth & Income Fund VI <sup>1</sup>	11.3	3.2	29.8	-0.1	-19.8	9.0	NA	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
CEAM Value Add Realty Partners II, L.P. <sup>1</sup>	23.9	15.2	10.6	5.0	-66.3	-22.2	-1.6	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7

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





# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Equity and Real Estate Assets (continued)</b>										
<b>Private Equity<sup>1</sup></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>	<b>NA</b>
Pantheon USA Fund VII	16.9	11.1	14.5	7.1	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.)	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Pathway Private Equity Fund VIII	19.1	12.0	15.8	16.8	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.)	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Pantheon Global Secondary Fund III	4.3	0.9	11.6	5.4	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.)	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Partners Group Secondary 2008	15.1	6.0	24.5	20.1	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.)	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Partners Group Secondary 2011	16.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.)	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Great Hill Equity Partners IV	29.6	17.8	43.3	7.4	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.)	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9

<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.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Hedge Funds Assets</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>NA</b>
Arrowgrass International Fund Ltd	9.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	7.0	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0	5.6
Pine River Fund Ltd	10.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	7.0	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0	5.6
Davidson Kempner Institutional Partners, L.P.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Event Driven Index</i>	12.6	8.9	-3.3	11.9	25.1	-21.8	6.6	15.3	7.3	15.0
DE Shaw	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Fund Weighted Composite Index</i>	9.1	6.4	-5.2	10.2	20.0	-19.0	10.0	12.9	9.3	9.0
Hudson Bay Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	7.0	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0	5.6
Brevan Howard Multi-Strategy Fund Ltd	1.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Index</i>	-0.5	-0.1	-4.1	8.1	4.3	4.8	11.1	8.2	6.8	4.6
Senator Global Opportunity Offshore Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Event Driven Index</i>	12.6	8.9	-3.3	11.9	25.1	-21.8	6.6	15.3	7.3	15.0
Horizon Portfolio I	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6	7.7



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Hedge Funds Assets (continued)</b>										
Sandler Plus Offshore Fund Ltd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6	7.7
Amici Offshore, Ltd.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6	7.7
Global Ascent Ltd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Systematic Diversified</i>	-0.8	-2.5	-3.5	9.8	-1.7	18.1	10.4	16.9	14.4	6.4
Claren Road Credit Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI RV Fixed Income-Corporate Index</i>	5.8	11.0	0.8	11.8	30.7	-24.2	-0.7	10.8	5.3	10.5
BlueCrest	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclay BTOP50 Index</i>	0.7	-1.8	-4.2	6.4	-4.8	13.6	7.6	5.6	2.8	0.9
CCP Quantitative Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclay BTOP50 Index</i>	0.7	-1.8	-4.2	6.4	-4.8	13.6	7.6	5.6	2.8	0.9
Kepos Alpha Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Systematic Diversified</i>	-0.8	-2.5	-3.5	9.8	-1.7	18.1	10.4	16.9	14.4	6.4



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Real Assets</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>NA</b>
<b>Commodities</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>	<b>NA</b>
CS Risk Parity Commodity Index <sup>1</sup>	-8.8	1.6	NA	NA	NA	NA	NA	NA	NA	NA
<i>Custom Risk Parity Benchmark<sup>2</sup></i>	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>Dow Jones-UBS Commodity U.S. Index</i>	-9.5	-1.1	-13.4	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1
First Quadrant Risk Parity Commodity Index <sup>1</sup>	-13.6	-4.7	NA	NA	NA	NA	NA	NA	NA	NA
<i>Custom Risk Parity Benchmark<sup>2</sup></i>	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>Dow Jones-UBS Commodity U.S. Index</i>	-9.5	-1.1	-13.4	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1
<b>Natural Resources</b>	<b>-1.9</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 Global LargeMid NR	-2.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-2.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global LargeMid Cap Commodities and Resources</i>	-2.6	7.1	-12.9	19.5	57.8	-46.1	59.3	30.5	29.1	NA
<b>Fixed Income Assets</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>NA</b>
<b>Public Fixed Income</b>	<b>-2.2</b>	<b>5.4</b>	<b>8.7</b>	<b>7.2</b>	<b>15.9</b>	<b>-1.3</b>	<b>6.7</b>	<b>5.8</b>	<b>0.8</b>	<b>6.3</b>
Northern Trust Intermediate Gov't 1-10 Year	-1.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-1.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays Intermediate Gov't Bond Index</i>	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	3.8	1.7	2.3

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

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



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

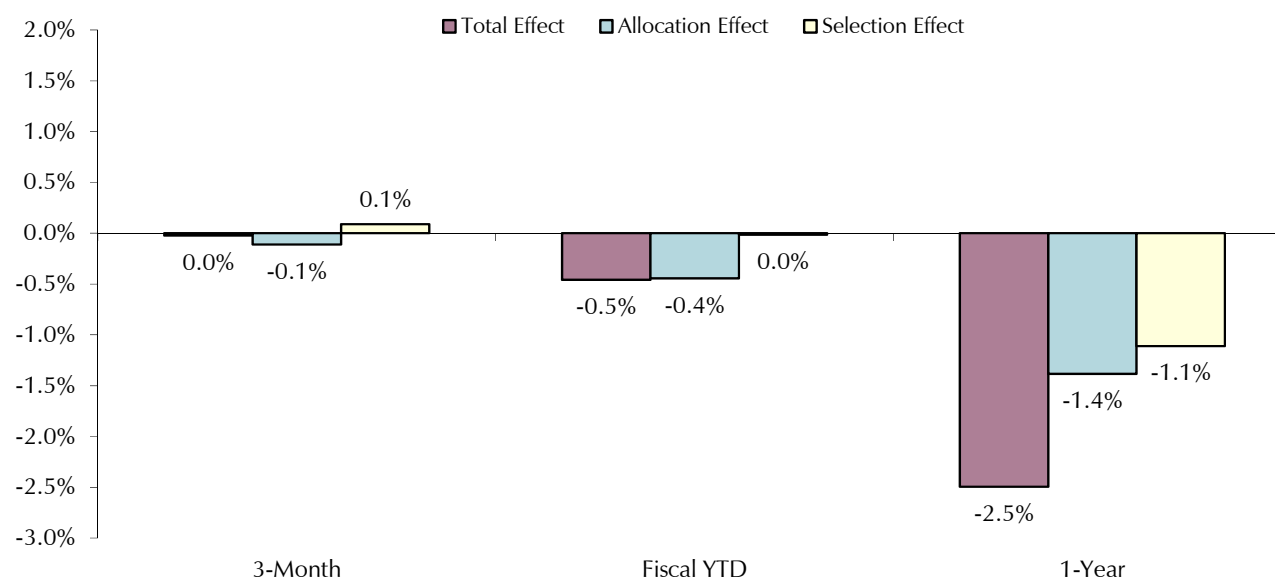
	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Fixed Income Assets (continued)</b>										
Russell Investments Barclays U.S. TIPS	-3.1	3.4	11.2	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-3.1	3.4	11.2	NA	NA	NA	NA	NA	NA	NA
<i>TIPS Blended Benchmark<sup>1</sup></i>	-5.3	4.8	11.2	NA	NA	NA	NA	NA	NA	NA
<i>Barclays U.S. TIPS</i>	-8.6	7.0	13.6	6.3	11.4	-2.4	11.6	0.4	2.8	8.5
<i>Barclays U.S. TIPS 1-5 Years</i>	-2.0	2.7	4.9	3.9	11.5	-2.5	10.3	2.4	1.6	NA
<b>Private Debt<sup>2</sup></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>	<b>NA</b>
White Oak Direct Lending Account	9.4	2.7	NA	NA	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5	6.5
Medley Opportunity Fund II	8.8	11.0	NA	NA	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5	6.5
GSO Direct Lending Account	8.4	16.2	NA	NA	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5	6.5

<sup>1</sup> The TIPS Blended Benchmark Consists of 50% Barclays U.S. TIPS & 50% Barclays U.S. TIPS 1-5 years. Prior to January 1, 2012, it was comprised of 100% Russell Investments Barclays U.S. TIPS.

<sup>2</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.



**Performance Attribution: Total Fund vs. Policy Benchmark**  
as of 12/31/13



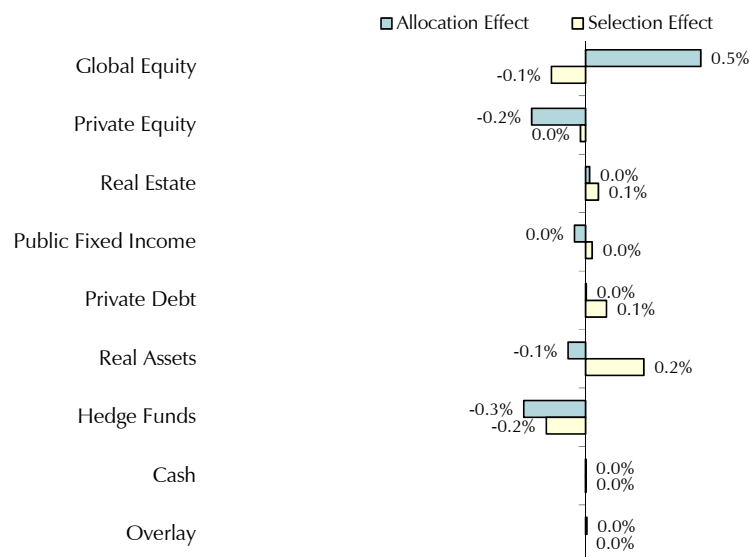
**Total Effect:** The total effect is the difference between the performance of the total fund and the return for the policy benchmark. The total effect is calculated by adding the allocation effect and the selection effect.

**Allocation Effect:** The allocation effect measures the impact of over- and under-weighting the fund allocations compared to the target allocations. The allocation effect is calculated by subtracting the Policy Benchmark return from the Custom Benchmark return.

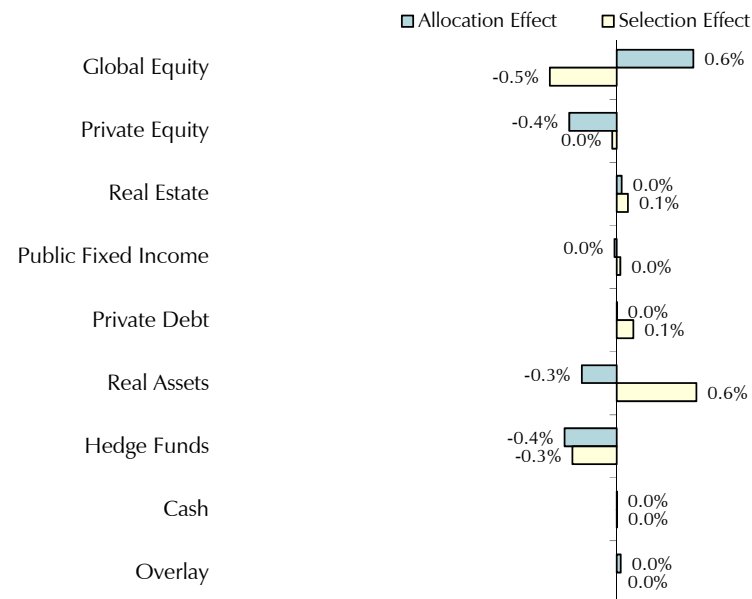
**Selection Effect:** The selection effect measures the contribution of active management. For this analysis, the interaction effect, which measures the combined impact of selection and allocation, is included in the selection effect. Therefore, the selection effect is calculated by subtracting the Custom Benchmark return from the Total Fund return.

Performance Attribution (Total Fund)<sup>1</sup>: Asset Class vs. Policy Benchmark  
as of 12/31/13

QTD



Fiscal YTD

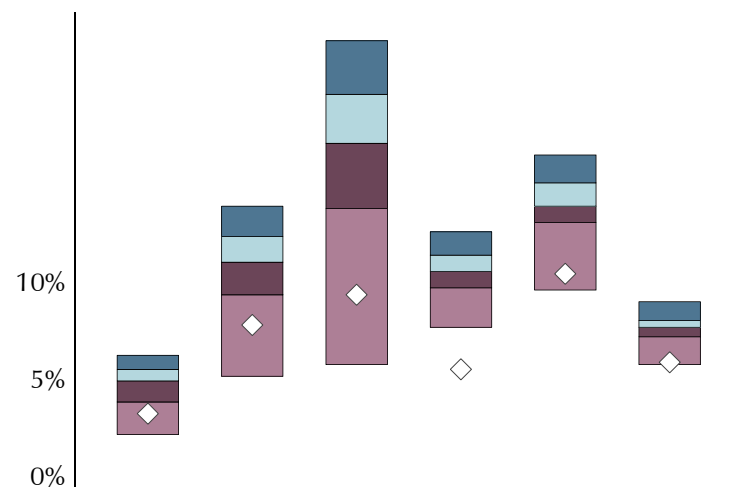


**Allocation Effect:** The allocation effect measures the impact of over- and under-weighting the fund allocations compared to the target allocations at the Total Fund level. The allocation effect is calculated by subtracting the asset class benchmark return from the asset class custom benchmark return.

**Selection Effect:** The selection effect measures the contribution of active management at the Total Fund level. For this analysis, the interaction effect, which measures the combined impact of selection and allocation, is included in the selection effect. Therefore, the selection effect is calculated by subtracting the asset class custom benchmark return from the asset class contribution to the Total Fund return.

<sup>1</sup> Attribution is calculated based on performance gross of fees.

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

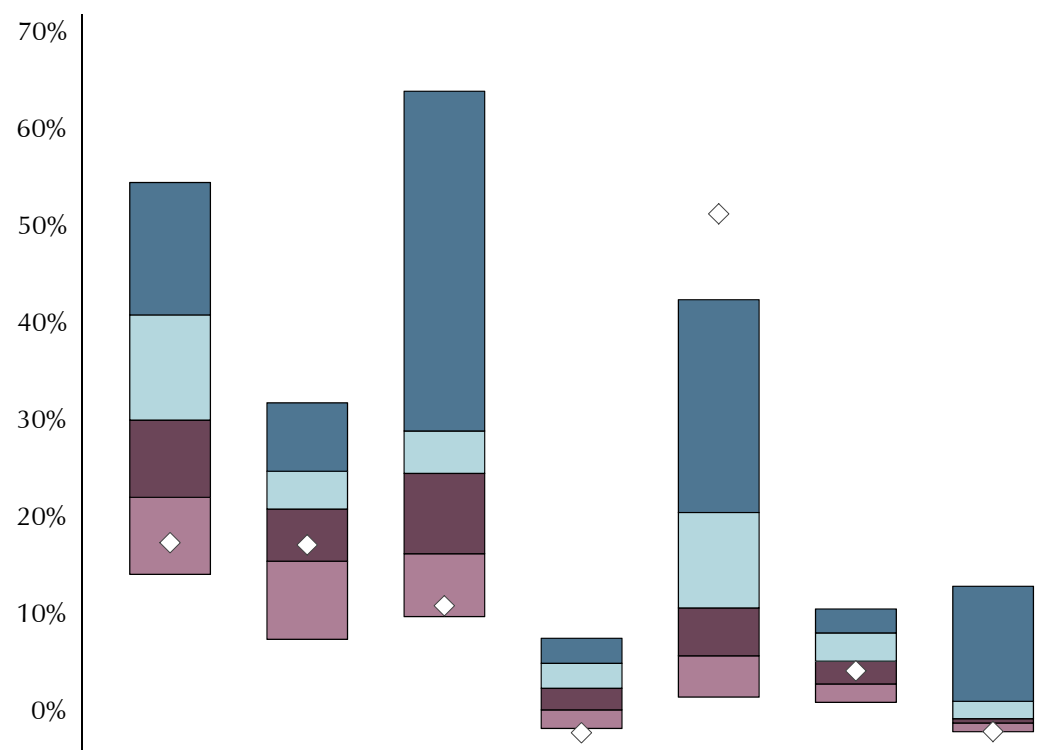


	4Q13 (%)	Fiscal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Total Fund Aggregate<sup>1</sup></b>	<b>3.6</b>	<b>7.4</b>	<b>8.7</b>	<b>5.5</b>	<b>9.6</b>	<b>5.8</b>
25th percentile	5.5	11.2	17.3	10.4	13.5	7.6
Median <sup>3</sup>	5.0	10.1	15.2	9.7	12.5	7.3
75 Percentile	4.1	8.7	12.4	9.0	11.8	6.9

<sup>1</sup> Universe data provided by InvestMetrics. Returns are gross of fees.



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



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
San Jose Allocation (Russell Overlay Net Position)	17.5	17.3	11.7	0.0	47.8	5.7	0.1
1 <sup>st</sup> Quartile	38.5	24.1	27.8	6.4	20.3	9.2	2.9
Median	28.8	20.6	23.9	4.1	11.5	6.6	1.3
3 <sup>rd</sup> Quartile	21.7	15.8	16.5	2.1	7.1	4.5	0.9
Population	56	52	54	29	38	32	26

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

<sup>2</sup> Based on Russell Investments overlay net positions as of 12/31/13.

## San Jose Federated City Employees' Retirement System

## Policy Benchmark Description as of 12/31/13

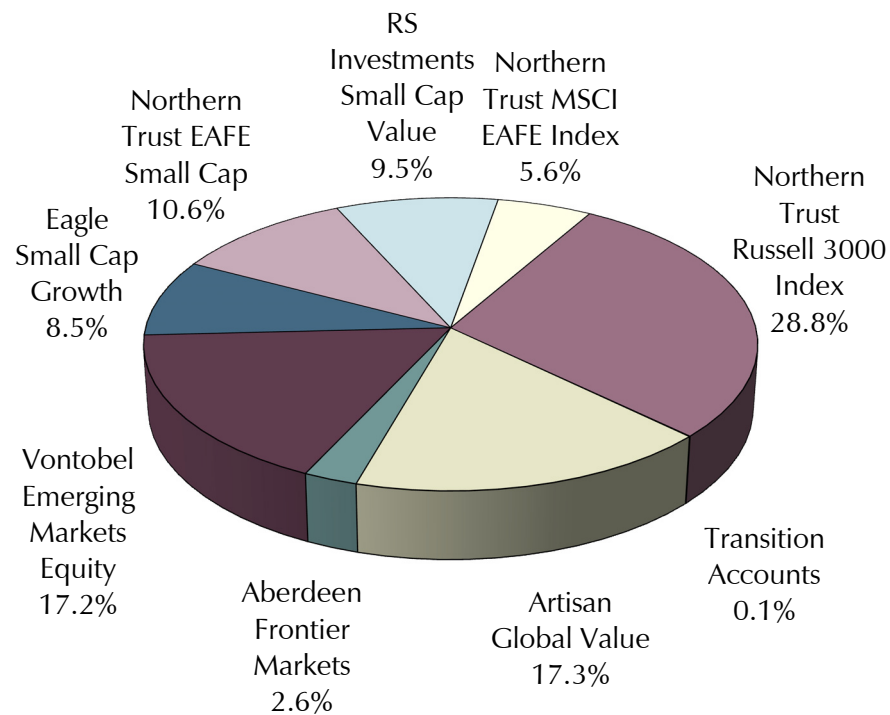
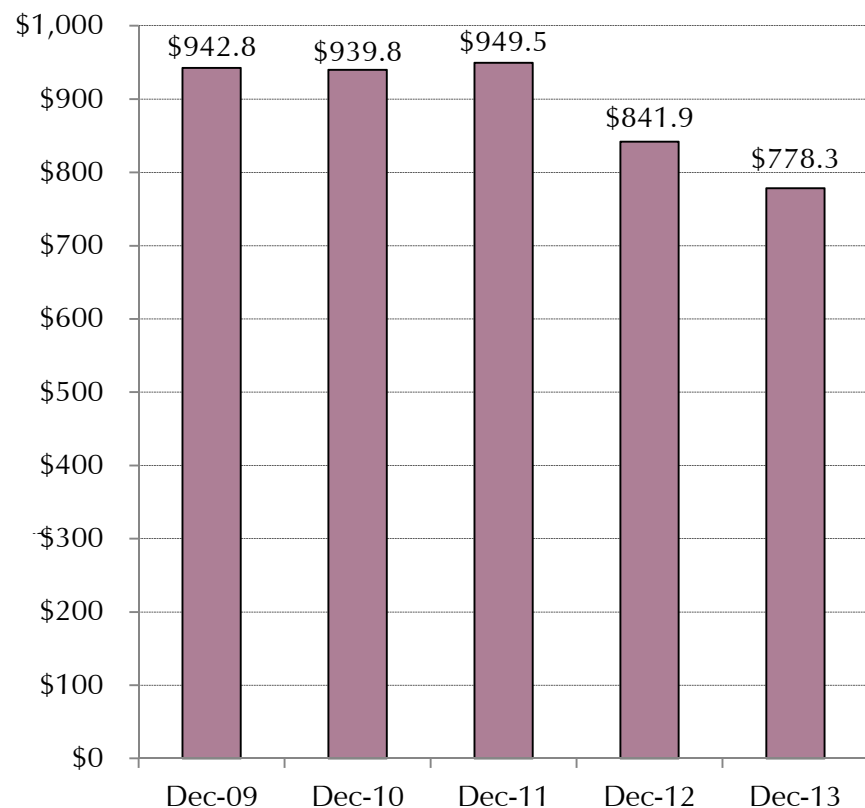
Time Period		Composition
1/1/2012-Present	31%	MSCI ACWI IMI
	9	Venture Economics Private Equity
	5	NCREIF Property
	2.5	Barclays Intermediate Government
	1.25	Barclays U.S. TIPS
	1.25	Barclays U.S. TIPS 1-5 Years
	5	3-Month LIBOR + 5%
	10	Risk Parity Commodities
	10	CPI-U + 5%
	25	HFRI Fund of Funds Composite
4/1/2011-12/31/2011	16%	MSCI ACWI
	9	MSCI ACWI Value
	5	MSCI Emerging Markets
	5	MSCI EAFE Small Cap
	3	MSCI EAFE Growth
	3	Russell 3000
	2.5	Russell 2000 Growth
	2.5	Russell 2000 Value
	7.5	Russell Investments Barclays U.S. TIPS
	5	Barclays Intermediate Government
	2.5	Barclays Long U.S. Credit
	2.5	Merrill Lynch High Yield BB/B
	2.5	CSFB Leveraged Loan
	3	ML 300 Global Convertibles
	5	HFRI Weighted Composite
	5	NCREIF Property
	6	Venture Economics Private Equity
	8	Custom Risk Parity Benchmark
	2	S&P Global Infrastructure
	5	3-Month LIBOR + 5%

Time Period		Composition
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
	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

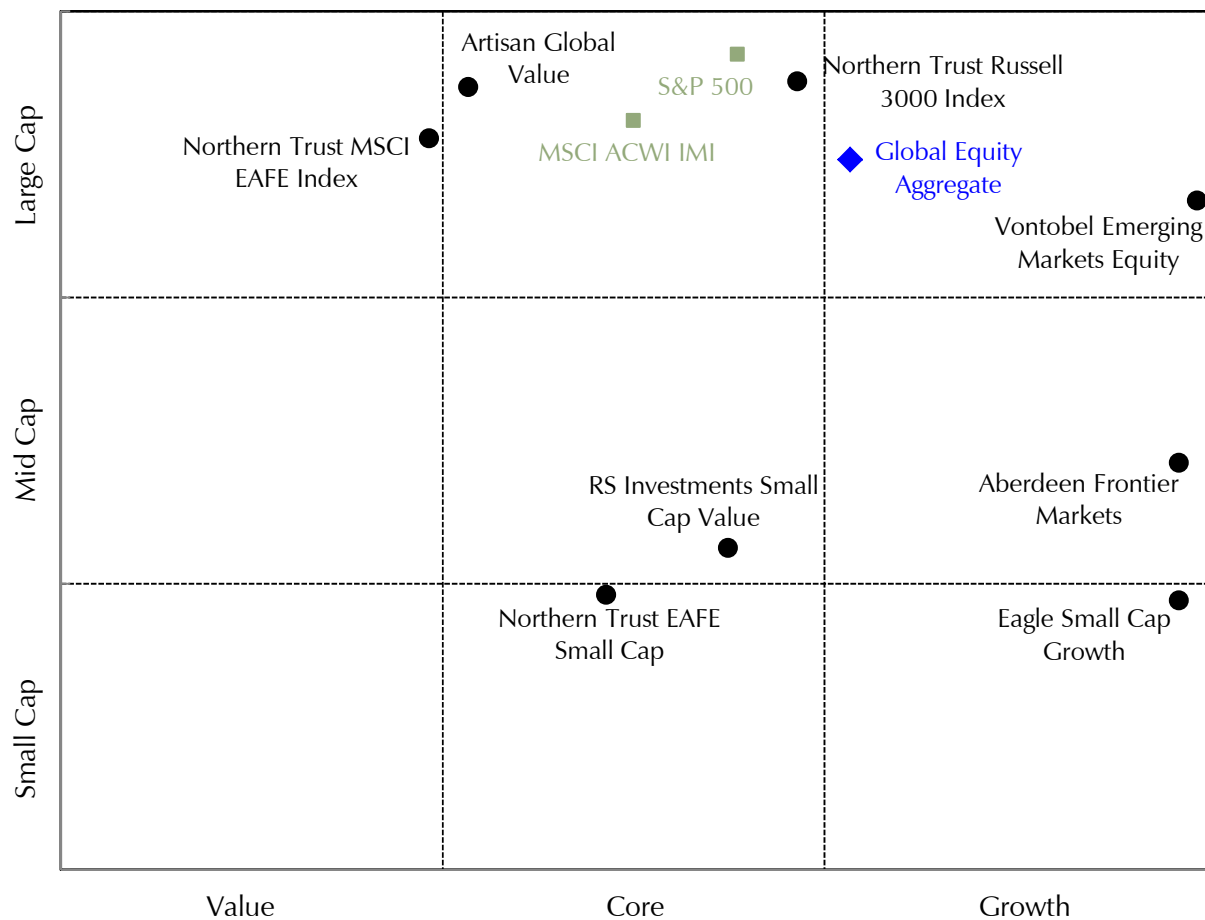


## Plan Detail

## Global Equity Assets As of December 31, 2013



Risk: (forty-four months)	Aggregate Global Equity 12/31/13	MSCI ACWI IMI 12/31/13
Annualized Return (%)	10.9	10.7
Standard Deviation (%)	17.1	18.0
Best Monthly Return (%)	10.5	10.8
Worst Monthly Return (%)	-9.4	-9.8
Beta	0.94	1.00
Correlation (R <sup>2</sup> ) to Index	0.99	1.00
Correlation to Total Fund Return	0.97	NA
Sharpe Measure (risk-adjusted return)	0.64	0.59
Information Ratio	0.10	NA



	Aggregate Global Equity 12/31/13	MSCI ACWI IMI 12/31/13	Aggregate Global Equity 9/30/13
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	54.2	71.8	49.7
Median Market Cap. (US\$ billion)	1.6	1.3	1.9
Large (% over US\$10 billion)	56	74	59
Medium (% US\$2 billion to US\$10 billion)	29	19	27
Small (% under US\$2 billion)	15	6	14
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	24	22	23
Price-Book Value Ratio	5.0	4.0	4.7
Dividend Yield (%)	2.0	2.4	2.0
Historical Earnings Growth Rate (%)	12	11	12
Projected Earnings Growth Rate (%)	13	12	12

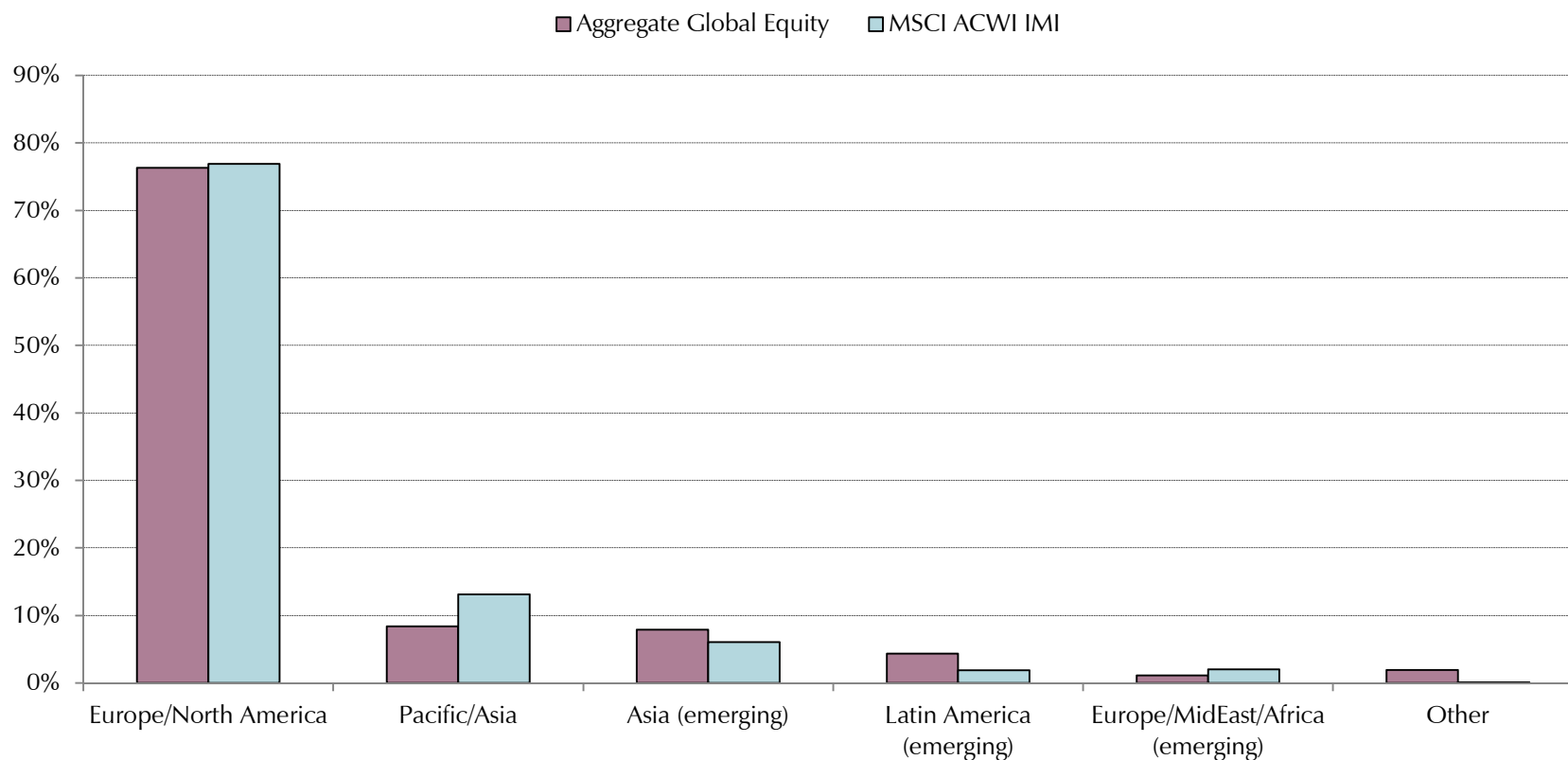


<b>Diversification:</b>	<b>Aggregate Global Equity 12/31/13</b>	<b>MSCI ACWI IMI 12/31/13</b>	<b>Aggregate Global Equity 9/30/13</b>
Number of Holdings	5,841	8,493	6,528
% in 5 largest holdings	5	4	5
% in 10 largest holdings	9	7	9

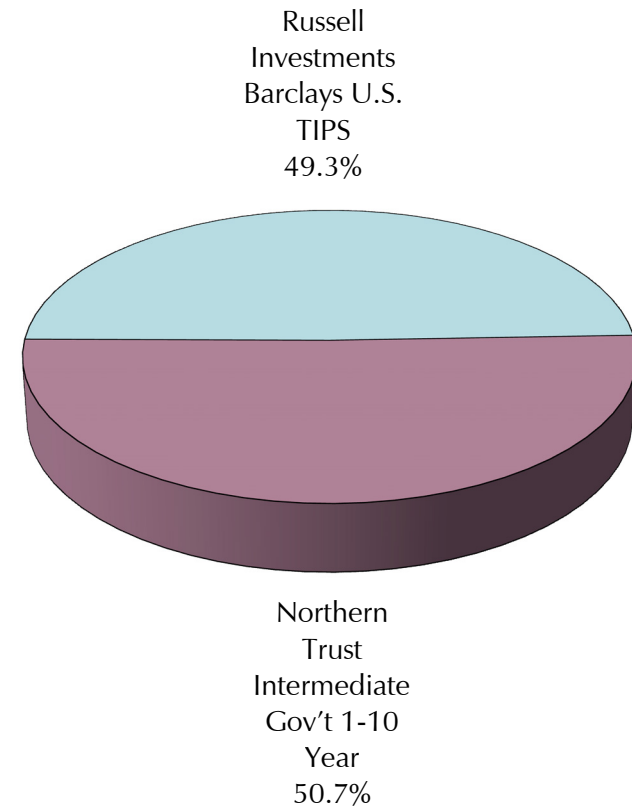
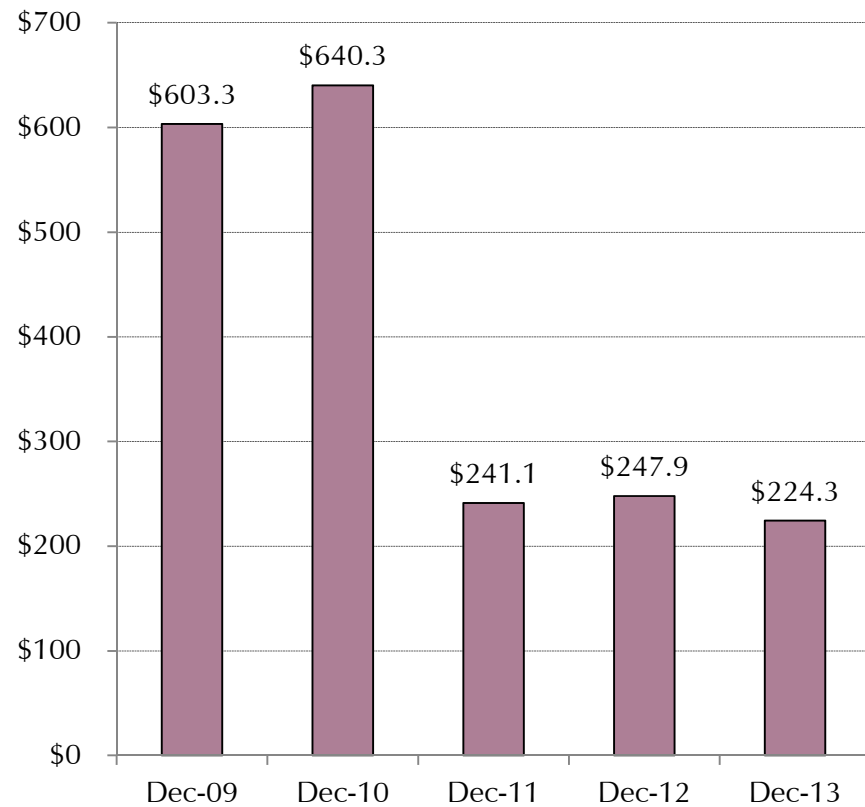
<b>Largest Five Holdings:</b>	<b>% of Portfolio</b>	<b>Economic Sector</b>
British American Tobacco	1.2	Food, Beverage & Tobacco
Apple	1.0	Technology Equipment
Oracle	1.0	Software & Services
Microsoft	1.0	Software & Services
Johnson & Johnson	0.9	Pharmaceuticals & Biotech.

Sector Allocation (%):	Aggregate Global Equity 12/31/13	MSCI ACWI IMI 12/31/13	Aggregate Global Equity 9/30/13
Consumer Staples	14	9	14
Information Technology	15	13	15
Financials	23	21	23
Health Care	10	10	9
Utilities	2	3	3
Consumer Discretionary	12	13	11
Industrials	11	12	10
Telecommunication Services	2	4	2
Materials	5	6	5
Energy	6	9	6

	Aggregate Global Equity 12/31/13 (%)	MSCI ACWI IMI 12/31/13 (%)
<b>Europe/North America</b>	<b>76.3</b>	<b>76.9</b>
United States of America	52.8	47.8
United Kingdom	11.0	7.4
Bermuda	1.0	0.2
Netherlands	1.2	1.8
Switzerland	2.5	3.6
France	1.3	3.2
Germany	1.2	3.3
<b>Pacific/Asia</b>	<b>8.4</b>	<b>13.1</b>
Hong Kong	1.9	1.8
Australia	1.1	2.7
Japan	4.4	7.9
<b>Asia (emerging)</b>	<b>7.9</b>	<b>6.0</b>
India	4.2	0.7
<b>Latin America (emerging)</b>	<b>4.3</b>	<b>1.9</b>
Mexico	2.1	0.5
Brazil	2.1	1.1
<b>Europe/MidEast/Africa (emerging)</b>	<b>1.1</b>	<b>2.0</b>
<b>Other</b>	<b>1.9</b>	<b>0.1</b>

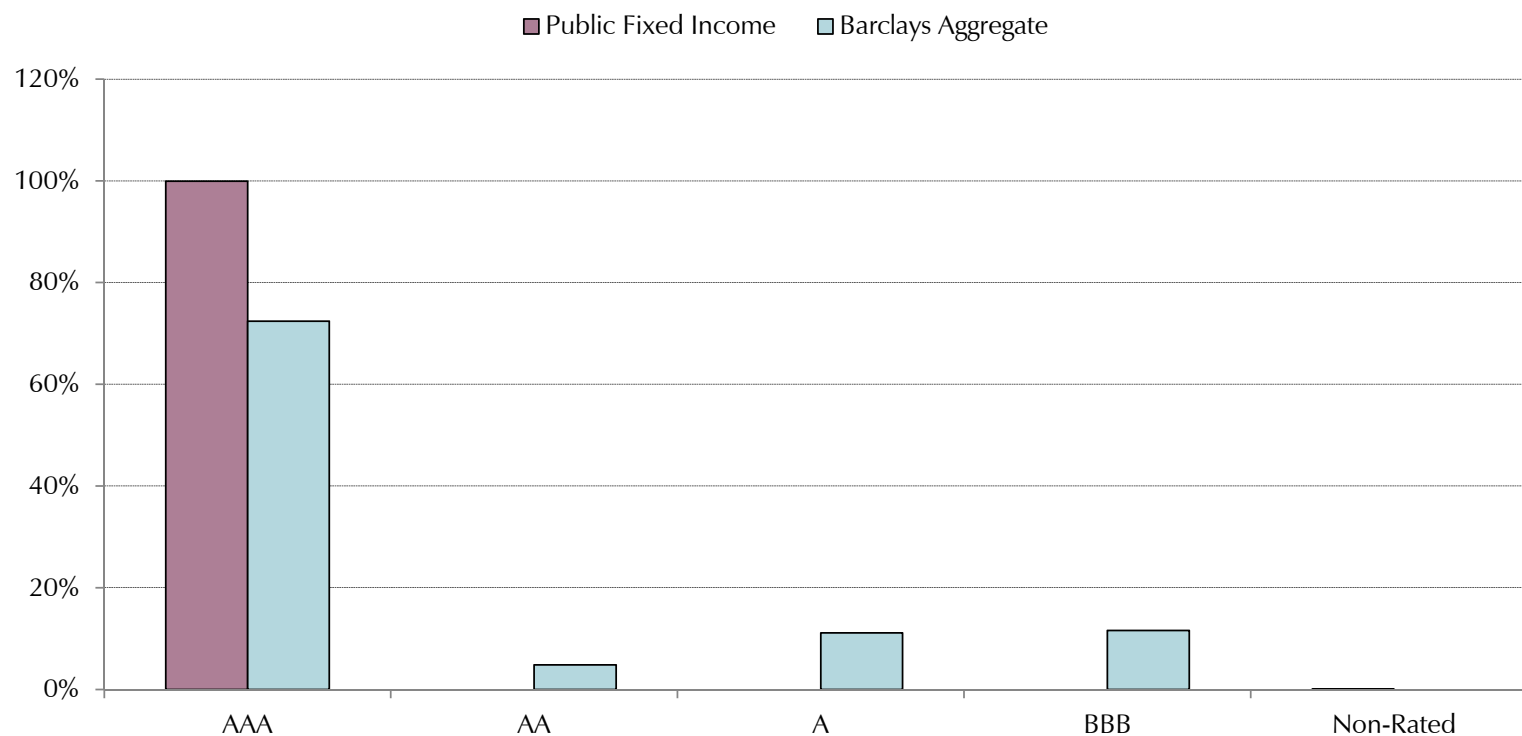


**Fixed Income Assets  
As of December 31, 2013**



Risk: (sixty months)	Aggregate Fixed Income 12/31/13	Barclays Aggregate 12/31/13
Annualized Return (%)	6.8	4.4
Standard Deviation (%)	3.6	3.0
Best Monthly Return (%)	3.4	1.6
Worst Monthly Return (%)	-1.3	-1.8
Beta	0.88	1.00
Correlation (R <sup>2</sup> ) to Index	0.75	1.00
Correlation to Total Fund Return	0.46	NA
Sharpe Measure (risk-adjusted return)	1.87	1.45
Information Ratio	1.04	NA

Duration & Yield:	Aggregate Fixed Income 12/31/13	Barclays Aggregate 12/31/13	Aggregate Fixed Income 9/30/13
Average Effective Duration (years)	3.0	5.6	3.1
Yield to Maturity (%)	1.1	2.5	0.9





	Aggregate Fixed Income 12/31/13	Barclays Aggregate 12/31/13	Aggregate Fixed Income 9/30/13
<b>Market Allocation (%):</b>			
United States	100	91	100
Foreign (developed markets)	0	5	0
Foreign (emerging markets)	0	4	0
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	0	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	45	36	45
U.S. Treasury-TIPS	49	0	49
U.S. Agency	6	6	6
Mortgage Backed	0	30	0
Corporate	0	22	0
Bank Loans	0	0	0
Local & Provincial Government	0	1	0
Sovereign & Supranational	0	3	0
Commercial Mortgage Backed	0	2	0
Asset Backed	0	0	0
Cash Equivalent	0	0	0
Other	0	0	0

**Portfolio Reviews**  
**As of December 31, 2013**

## Global Equity Portfolios Reviews As of December 31, 2013

## San Jose Federated City Employees' Retirement System

## Northern Trust Russell 3000 Index Portfolio Detail as of 12/31/13

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$224.2 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

Performance (%):	4Q13	Fiscal YTD	1 YR	3 YR	5 YR	Since 9/1/99
Northern Trust Russell 3000 Index	10.1	17.1	33.6	16.3	18.9	5.2
Net of Fees	10.1	17.1	33.6	16.3	18.9	5.2
Russell 3000	10.1	17.1	33.6	16.2	18.7	5.1

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
Northern Trust Russell 3000 Index	19.5%	1.00	0.96	NA	1.00
Russell 3000	19.4	1.00	0.96	NA	1.00

	12/31/13		9/30/13	
Capitalization Structure:	NT Russell 3000	Russell 3000	NT Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	95.4	95.5	84.3	84.1
Median Market Cap. (US\$ billion)	1.8	1.4	1.7	1.3
Large (% over US\$10 billion)	78	78	77	77
Medium (% US\$2 billion to US\$10 billion)	17	16	17	17
Small (% under US\$2 billion)	5	5	5	6

### Fundamental Structure:

Price-Earnings Ratio	24	24	23	23
Price-Book Value Ratio	5.0	5.0	4.5	4.5
Dividend Yield (%)	1.9	1.9	2.0	2.0
Historical Earnings Growth Rate (%)	14	14	13	13
Projected Earnings Growth Rate (%)	12	12	12	12

### Sector Allocation (%):

Industrials	12	12	11	11
Materials	4	4	4	4
Utilities	3	3	3	3
Consumer Discretionary	13	13	13	13
Consumer Staples	9	9	9	9
Energy	9	9	10	9
Telecommunication Services	2	2	2	2
Information Technology	18	18	18	18
Financials	17	17	17	17
Health Care	12	13	13	13

### Diversification:

Number of Holdings	2,620	3,019	2,579	2,965
% in 5 largest holdings	9	9	8	8
% in 10 largest holdings	15	15	14	14

### Largest Ten Holdings:

		Industry
Apple	2.5	Technology Equipment
ExxonMobil	2.2	Energy
Microsoft	1.5	Software & Services
Google	1.5	Software & Services
General Electric	1.4	Capital Goods
Johnson & Johnson	1.2	Pharmaceuticals & Biotech.
Chevron	1.2	Energy
Procter & Gamble	1.1	Household Products
JP Morgan Chase	1.1	Diversified Financials
Wells Fargo & Company	1.1	Banks



## San Jose Federated City Employees' Retirement System

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$134.4 million

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

**Location:** San Francisco, California

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

**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

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

### Liquidity Constraints:

Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	4Q13	Fiscal YTD	1 YR	Since 3/1/11
<b>Artisan Global Value</b>	<b>9.1</b>	<b>17.5</b>	<b>33.6</b>	<b>18.4</b>
<b>Net of Fees</b>	<b>9.1</b>	<b>17.3</b>	<b>32.8</b>	<b>17.7</b>
MSCI ACWI Value	7.2	14.8	22.4	7.8
Peer Global Equity	8.3	18.4	29.1	11.6
Peer Ranking (percentile)	28	61	23	3

## Artisan Global Value Portfolio Detail as of 12/31/13

	12/31/13		9/30/13	
	Artisan Global Value	MSCI ACWI Value	Artisan Global Value	MSCI ACWI Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	91.7	89.4	83.2	77.1
Median Market Cap. (US\$ billion)	37.5	7.9	36.1	7.6
Large (% over US\$10 billion)	90	87	91	85
Medium (% US\$2 billion to US\$10 billion)	10	13	9	15
Small (% under US\$2 billion)	0	0	0	1
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	20	18	18	18
Price-Book Value Ratio	3.4	2.5	3.1	2.3
Dividend Yield (%)	2.0	3.2	2.1	3.3
Historical Earnings Growth Rate (%)	8	8	7	5
Projected Earnings Growth Rate (%)	10	7	11	9
<b>Sector Allocation (%):</b>				
Information Technology	24	8	25	7
Consumer Staples	12	7	10	6
Health Care	11	9	12	8
Financials	32	29	32	31
Consumer Discretionary	7	5	7	6
Telecommunication Services	3	6	3	6
Industrials	6	9	7	10
Utilities	0	5	0	5
Materials	0	7	0	7
Energy	5	14	4	13
<b>Diversification:</b>				
Number of Holdings	45	1,306	43	1,326
% in 5 largest holdings	20	9	19	8
% in 10 largest holdings	36	15	36	13
<b>Region Allocation (%):</b>				
Americas	46	51	49	50
Europe & Middle East	45	26	42	25
Pacific	3	13	3	14
Other	6	10	6	11
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Oracle	5.3	Software & Services		
Bank of New York Mellon	4.0	Diversified Financials		
Microsoft	3.6	Software & Services		
Arch Capital	3.5	Insurance		
Tesco	3.5	Food & Staples Retailing		



## San Jose Federated City Employees' Retirement System

## Vontobel Emerging Markets Equity Portfolio Detail as of 12/31/13

**Mandate:** International Equities,  
Emerging Markets

**Active/Passive:** Active

**Market Value:** \$133.8 million

**Portfolio Manager:** Rajiv Jain

**Location:** New York, NY

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

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Daily

### Strategy:

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

Performance (%):	4Q13	Fiscal YTD	Since 7/1/13
<b>Vontobel Emerging Markets Equity</b>	<b>0.4</b>	<b>-0.5</b>	<b>-0.5</b>
<b>Net of Fees</b>	<b>0.2</b>	<b>-0.8</b>	<b>-0.8</b>
MSCI Emerging Markets	1.8	7.7	7.7
Peer Emerging Markets	2.9	8.7	8.7
Peer Ranking (percentile)	90	97	97

	12/31/13		9/30/13	
	Vontobel Emerging Markets	MSCI Emerging Markets	Vontobel Emerging Markets	MSCI Emerging Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	40.2	36.2	37.6	35.9
Median Market Cap. (US\$ billion)	11.3	4.6	11.6	4.4
Large (% over US\$10 billion)	75	65	79	64
Medium (% US\$2 billion to US\$10 billion)	24	32	21	32
Small (% under US\$2 billion)	1	3	1	3

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	24	19	23	18
Price-Book Value Ratio	8.1	3.2	8.3	3.1
Dividend Yield (%)	2.6	2.6	2.5	2.6
Historical Earnings Growth Rate (%)	16	14	23	13
Projected Earnings Growth Rate (%)	13	13	12	13

<b>Sector Allocation (%):</b>				
Consumer Staples	41	9	41	9
Financials	32	27	32	27
Health Care	2	2	2	1
Utilities	3	3	4	3
Consumer Discretionary	8	9	7	9
Industrials	2	6	2	6
Telecommunication Services	3	7	2	7
Materials	5	10	5	10
Energy	1	11	1	12
Information Technology	5	16	4	15

<b>Diversification:</b>				
Number of Holdings	80	822	75	818
% in 5 largest holdings	24	11	24	11
% in 10 largest holdings	40	17	40	17

<b>Region Allocation (%):</b>				
Asia	42	57	42	53
Americas	25	19	25	20
Europe, Middle East and Africa	4	18	4	18
Other	29	7	30	10

<b>Largest Five Holdings:</b>		<b>Industry</b>
British American Tobacco	6.7	Food, Beverage & Tobacco
SABMiller	4.9	Food, Beverage & Tobacco
ITC	4.4	Food, Beverage & Tobacco
Housing Development Financial	3.9	Banks
HDFC Bank	3.9	Banks



## San Jose Federated City Employees' Retirement System

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$82.3 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

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

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Daily

### Strategy:

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

Performance (%):	4Q13	Fiscal YTD	1 YR	Since 11/1/12
<b>Northern Trust EAFE Small Cap</b>	<b>5.9</b>	<b>22.3</b>	<b>29.5</b>	<b>30.2</b>
<b>Net of Fees</b>	<b>5.9</b>	<b>22.3</b>	<b>29.4</b>	<b>30.2</b>
MSCI EAFE Small Cap	5.9	22.3	29.3	30.1

## Northern Trust EAFE Small Cap Portfolio Detail as of 12/31/13

	12/31/13		9/30/13	
	Northern Trust EAFE Small Cap	MSCI EAFE Small Cap	Northern Trust EAFE Small Cap	MSCI EAFE Small Cap
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	2.3	2.3	2.2	2.2
Median Market Cap. (US\$ million)	882.4	884.3	839.1	840.9
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$2 billion to US\$10 billion)	48	48	45	45
Small (% under US\$2 billion)	52	52	55	55
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	22	22	21	21
Price-Book Value Ratio	3.2	3.2	3.1	3.1
Dividend Yield (%)	2.3	2.3	2.3	2.3
Historical Earnings Growth Rate (%)	8	8	7	7
Projected Earnings Growth Rate (%)	13	13	13	13
<b>Sector Allocation (%):</b>				
Materials	10	10	10	10
Consumer Discretionary	20	19	20	20
Consumer Staples	5	5	6	5
Energy	4	4	4	4
Utilities	2	2	2	2
Telecommunication Services	1	1	1	1
Health Care	6	6	6	6
Industrials	22	22	22	22
Information Technology	9	9	10	10
Financials	21	21	20	20
<b>Diversification:</b>				
Number of Holdings	2,182	2,178	2,149	2,143
% in 5 largest holdings	2	2	2	2
% in 10 largest holdings	3	3	3	3
<b>Region Allocation (%):</b>				
Americas	0	0	0	0
Europe & Middle East	59	59	58	58
Pacific	40	40	41	41
Other	2	2	1	1
<b>Largest Five Holdings:</b>				
ASOS	0.4	Retailing		
Mondi	0.3	Materials		
Ashtead Group	0.3	Capital Goods		
Vestas Windsystems	0.3	Capital Goods		
Taylor Wimpey	0.3	Consumer Durables		



## San Jose Federated City Employees' Retirement System

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$74.1 million  
**Portfolio Manager:** Team  
**Location:** San Francisco, California  
**Inception Date:** 8/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

1.00% on first \$30 mm; 0.80% on next \$20 mm; 0.60% thereafter

### Liquidity Constraints:

Daily

### Strategy:

RS employs a bottom-up, fundamental stock picking approach to portfolio management. The investment team seeks to optimize risk-adjusted returns through deep company-specific fundamental research. When evaluating investments for the strategy, RS Investments employs a return-on-capital analysis, combining balance sheet and cash flow analysis. RS believes that stock price performance is more highly correlated to improving returns on capital than it is to traditional valuation measurements like price-to-earnings, price-to-sales or price to book value. The strategy typically invests most of its assets in securities of U.S. companies but may also invest up to 15% of its assets in foreign securities.

### Guidelines:

Position size <9%, industry exposure <25%, maximum 10% non U.S.

Performance (%):	4Q13	Fiscal YTD	1 YR	3 YR	Since 8/1/10
<b>RS Investments Small Cap Value</b>	<b>11.8</b>	<b>21.4</b>	<b>45.3</b>	<b>17.9</b>	<b>22.9</b>
<b>Net of Fees</b>	<b>11.8</b>	<b>20.9</b>	<b>44.5</b>	<b>17.2</b>	<b>22.1</b>
Russell 2000 Value	9.3	17.6	34.5	14.5	18.2
Peer Small Cap Value	9.9	19.4	38.4	16.6	20.6
Peer Ranking (percentile)	14	24	12	21	9
Risk: (forty-one months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>RS Investments Small Cap Value</b>	<b>21.9%</b>	<b>0.99</b>	<b>1.04</b>	<b>0.88</b>	<b>0.96</b>
Russell 2000 Value	20.3	1.00	0.89	NA	1.00

## RS Investments Small Cap Value Portfolio Detail as of 12/31/13

	12/31/13		9/30/13	
	RS SCV	Russell 2000 Value	RS SCV	Russell 2000 Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	3.3	1.5	3.1	1.4
Median Market Cap. (US\$ billion)	2.8	0.6	2.7	0.5
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$2 billion to US\$10 billion)	78	29	76	24
Small (% under US\$2 billion)	22	71	24	76
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	30	26	26	24
Price-Book Value Ratio	3.2	1.9	2.9	1.8
Dividend Yield (%)	1.0	1.9	1.1	2.0
Historical Earnings Growth Rate (%)	3	7	1	4
Projected Earnings Growth Rate (%)	12	12	11	11
<b>Sector Allocation (%):</b>				
Information Technology	21	11	25	11
Materials	9	5	9	5
Health Care	6	5	4	5
Consumer Staples	3	3	3	3
Energy	8	7	11	7
Telecommunication Services	0	1	0	1
Utilities	5	6	6	6
Consumer Discretionary	10	11	6	11
Industrials	11	14	9	14
Financials	26	39	27	39
<b>Diversification:</b>				
Number of Holdings	59	1,394	52	1,343
% in 5 largest holdings	18	2	19	2
% in 10 largest holdings	32	4	34	4
<b>Largest Ten Holdings:</b>		<b>Industry</b>		
AOL	3.8	Software & Services		
Acxiom	3.8	Software & Services		
IDT	3.6	Semiconductors		
Hntgtn.Ingalls Inds.	3.3	Capital Goods		
TORCHMARK	3.0	Insurance		
First Horizon National	3.0	Banks		
StanCorp Financial	2.9	Insurance		
First American Financial	2.9	Insurance		
Euronet Worldwide	2.7	Software & Services		
Questar	2.7	Utilities		





## San Jose Federated City Employees' Retirement System

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$65.9 million  
**Portfolio Manager:** Bert L. Boksen, CFA  
**Location:** St. Petersburg, Florida  
**Inception Date:** 6/1/1998  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.75% on first \$3 mm; 0.70% on next \$7 mm; 0.60% on next \$40 mm; 0.50% thereafter

### Liquidity Constraints:

Daily

### Strategy:

Eagle Asset Management seeks to capture the significant long-term capital appreciation potential of small, rapidly growing, under-researched companies. The market capitalization of these companies falls within the market cap range of the Russell 2000 Index at the time of purchase. Since the small company sector historically has been less efficient than the large capitalization sector, they believe that conducting extensive proprietary research on companies that are not widely followed or owned institutionally should enable Eagle to capitalize on market inefficiencies and thus outperform the Russell 2000 Growth Index.

### Guidelines:

Maximum of 5% in one issuer, and maximum of 5% preferred stock.

Performance (%):	4Q13	Fiscal YTD	1 YR	3 YR	5 YR	Since 6/1/98
<b>Eagle Small Cap Growth</b>	<b>4.6</b>	<b>16.5</b>	<b>36.1</b>	<b>16.1</b>	<b>24.2</b>	<b>8.7</b>
<b>Net of Fees</b>	<b>4.5</b>	<b>16.1</b>	<b>35.1</b>	<b>15.5</b>	<b>23.5</b>	<b>8.1</b>
Russell 2000 Growth	8.2	22.0	43.3	16.8	22.6	6.0
Peer Small Cap Growth	8.4	21.9	42.7	18.1	23.7	9.7
Peer Ranking (percentile)	99	96	81	71	41	62

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Eagle Small Cap Growth</b>	<b>25.1%</b>	<b>0.95</b>	<b>0.96</b>	<b>0.37</b>	<b>0.98</b>
Russell 2000 Growth	25.6	1.00	0.88	NA	1.00

## Eagle Small Cap Growth Portfolio Detail as of 12/31/13

	12/31/13 Eagle	Russell 2000 Growth	9/30/13 Eagle	Russell 2000 Growth
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	2.2	2.0	2.1	1.8
Median Market Cap. (US\$ billion)	1.9	0.9	1.7	0.8
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$2 billion to US\$10 billion)	45	43	45	38
Small (% under US\$2 billion)	55	57	55	62

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	38	36	38	35
Price-Book Value Ratio	7.2	8.0	7.2	7.3
Dividend Yield (%)	0.3	0.6	0.5	0.6
Historical Earnings Growth Rate (%)	19	18	18	16
Projected Earnings Growth Rate (%)	24	19	20	18

<b>Sector Allocation (%):</b>				
Energy	6	4	6	4
Consumer Discretionary	18	17	16	17
Health Care	22	21	22	21
Financials	8	7	8	7
Materials	5	5	6	5
Utilities	0	0	0	0
Consumer Staples	4	5	5	5
Industrials	15	15	15	15
Telecommunication Services	0	1	0	1
Information Technology	23	25	23	25

<b>Diversification:</b>				
Number of Holdings	100	1,174	95	1,117
% in 5 largest holdings	10	3	11	3
% in 10 largest holdings	19	5	20	5

<b>Largest Ten Holdings:</b>		<b>Industry</b>
Genesco	2.3	Retailing
Geospace Technologies	2.0	Energy
Quaker Chemical	2.0	Materials
Huron CNSL.GP.	2.0	Commercial Services
Multimedia Games	1.9	Consumer Services
Bally Technologies	1.8	Consumer Services
Texas Industries	1.8	Materials
Hanger	1.8	Health Care Services
Vitamin Shoppe	1.8	Retailing
COGNEX	1.7	Technology Equipment



## San Jose Federated City Employees' Retirement System

## Northern Trust MSCI EAFE Index Portfolio Detail as of 12/31/13

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$43.3 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

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

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.05% on all assets

### Liquidity Constraints:

Daily

### Strategy:

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

Performance (%):	4Q13	Fiscal YTD	1 YR	Since 11/1/12
<b>Northern Trust MSCI EAFE Index</b>	<b>5.7</b>	<b>18.0</b>	<b>23.2</b>	<b>25.4</b>
<b>Net of Fees</b>	<b>5.7</b>	<b>18.0</b>	<b>23.1</b>	<b>25.4</b>
MSCI EAFE	5.7	17.9	22.8	25.0

	12/31/13		9/30/13	
Capitalization Structure:	Northern Trust EAFE	MSCI EAFE	Northern Trust EAFE	MSCI EAFE
Weighted Average Market Cap. (US\$ billion)	63.1	63.0	59.6	59.5
Median Market Cap. (US\$ billion)	9.2	9.1	8.5	8.4
Large (% over US\$10 billion)	85	85	84	84
Medium (% US\$2 billion to US\$10 billion)	15	15	16	16
Small (% under US\$2 billion)	0	0	0	0

### Fundamental Structure:

Price-Earnings Ratio	20	20	20	20
Price-Book Value Ratio	3.0	3.0	3.0	3.0
Dividend Yield (%)	3.0	3.0	3.1	3.1
Historical Earnings Growth Rate (%)	8	8	6	6
Projected Earnings Growth Rate (%)	10	10	11	11

### Sector Allocation (%):

Industrials	13	13	13	13
Financials	26	26	25	25
Health Care	10	10	10	10
Consumer Discretionary	12	12	12	12
Consumer Staples	11	11	11	11
Telecommunication Services	6	6	6	5
Information Technology	5	5	4	4
Utilities	4	4	4	4
Energy	7	7	7	7
Materials	8	8	8	8

### Diversification:

Number of Holdings	912	904	913	907
% in 5 largest holdings	8	8	8	8
% in 10 largest holdings	13	13	13	13

### Region Allocation (%):

Americas	0	0	1	0
Europe & Middle East	66	67	65	65
Pacific	33	33	34	34
Other	1	1	0	0

### Largest Five Holdings:

		Industry
Nestle	1.8	Food, Beverage & Tobacco
HSBC	1.5	Banks
Roche Holding	1.5	Pharmaceuticals & Biotech.
Vodafone	1.4	Telecom Services
Novartis	1.4	Pharmaceuticals & Biotech.



## San Jose Federated City Employees' Retirement System

**Mandate:** International Equities  
**Active/Passive:** Active  
**Market Value:** \$20.0 million  
**Portfolio Manager:** Devan Kaloo  
**Location:** London, England  
**Inception Date:** 12/1/2013  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Monthly

**Strategy:**

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

Performance (%):	4Q13	Fiscal YTD	Since 12/1/13
<b>Aberdeen Frontier Markets</b>	<b>NA</b>	<b>NA</b>	<b>0.8</b>
<b>Net of Fees</b>	<b>NA</b>	<b>NA</b>	<b>0.7</b>
MSCI Frontier Markets	6.6	13.3	2.2
Peer Frontier Markets	7.0	14.4	2.0
Peer Ranking (percentile)	NA	NA	NA

## Aberdeen Frontier Markets Portfolio Detail as of 12/31/13

	12/31/13	
	Aberdeen Frontier Markets	MSCI Frontier Markets
<b>Capitalization Structure:</b>		
Weighted Average Market Cap. (US\$ billion)	6.0	7.8
Median Market Cap. (US\$ billion)	2.1	1.8
Large (% over US\$10 billion)	10	35
Medium (% US\$2 billion to US\$10 billion)	55	44
Small (% under US\$2 billion)	35	20
<b>Fundamental Structure:</b>		
Price-Earnings Ratio	23	18
Price-Book Value Ratio	7.8	3.5
Dividend Yield (%)	2.8	4.3
Historical Earnings Growth Rate (%)	13	5
Projected Earnings Growth Rate (%)	17	15
<b>Sector Allocation (%):</b>		
Consumer Staples	25	9
Health Care	9	2
Industrials	14	9
Energy	10	8
Information Technology	2	0
Consumer Discretionary	2	0
Utilities	0	1
Materials	2	4
Telecommunication Services	10	14
Financials	27	53
<b>Diversification:</b>		
Number of Holdings	40	143
% in 5 largest holdings	24	20
% in 10 largest holdings	45	32
<b>Region Allocation (%):</b>		
Europe/North America	18	0
Pacific/Asia	2	0
Asia (emerging)	0	4
Latin America (emerging)	0	5
Europe/MidEast/Africa (emerging)	13	36
Other	68	56
<b>Largest Five Holdings:</b>		
		<b>Industry</b>
MTN Group	5.3	Telecom Services
John Keells Holdings	5.3	Capital Goods
Nestle Foods Nigeria	4.7	Food, Beverage & Tobacco
Tenaris	4.5	Energy
Hikma Pharmaceuticals	4.5	Pharmaceuticals & Biotech.



**Real Assets Portfolio Reviews  
As of December 31, 2013**

## San Jose Federated City Employees' Retirement System

## CS Risk Parity Commodity Index Portfolio Detail as of 12/31/13

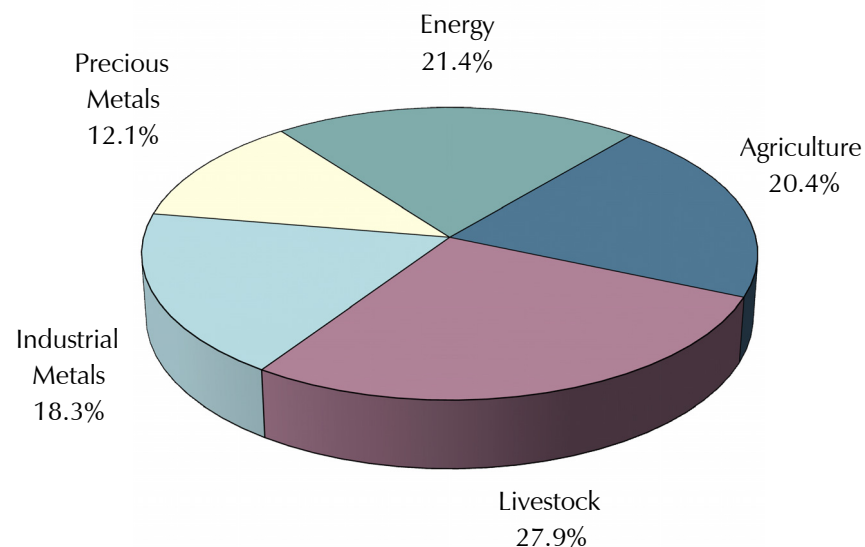
**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$116.9 million  
**Portfolio Manager:** Christopher Burton  
**Location:** New York, New York  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled Fund

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

**Liquidity Constraints:**  
 Daily

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

### Current Allocation:



Performance (%):	4Q13	Fiscal YTD	1 YR	Since 4/1/11
CS Risk Parity Commodity Index	-1.2	2.9	-8.8	-7.1
Custom Risk Parity Benchmark	-1.5	2.5	-9.2	-7.4
Dow Jones-UBS Commodity U.S. Index	-1.1	1.1	-9.5	-10.3



## San Jose Federated City Employees' Retirement System

## First Quadrant Risk Parity Commodity Index Portfolio Detail as of 12/31/13

**Mandate:** Commodity (net of fees)  
**Active/Passive:** Active  
**Market Value:** \$79.0 million  
**Portfolio Manager:** Team  
**Location:** Pasadena, California  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled Fund

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

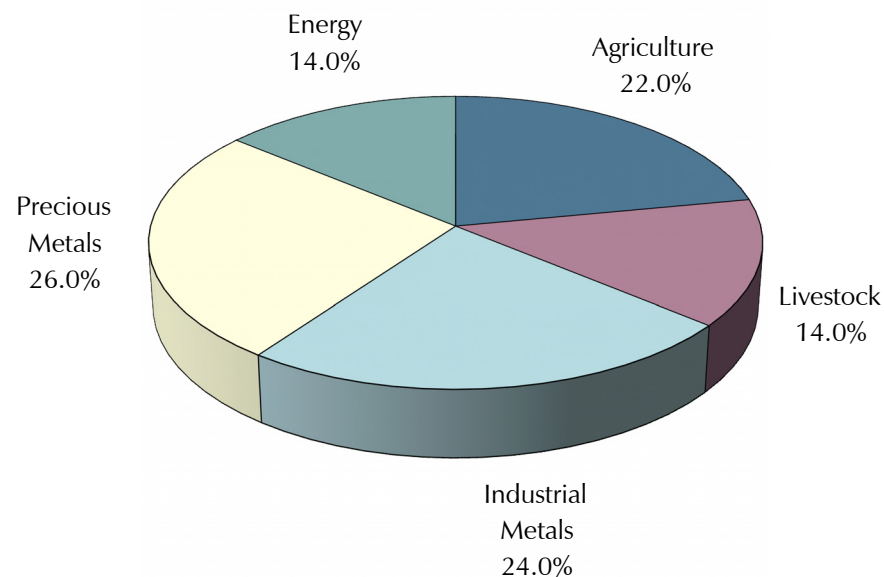
**Liquidity Constraints:**  
 Daily

### Strategy:

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

Performance (%):	4Q13	Fiscal YTD	1 YR	Since 4/1/11
<b>First Quadrant Risk Parity Commodity Index</b>	<b>-0.8</b>	<b>3.4</b>	<b>-13.6</b>	<b>-10.9</b>
Custom Risk Parity Benchmark	-1.5	2.5	-9.2	-7.4
Dow Jones-UBS Commodity U.S. Index	-1.1	1.1	-9.5	-10.3

### Current Allocation:



## San Jose Federated City Employees' Retirement System

## Northern Trust Global LargeMid NR Portfolio Detail as of 12/31/13

**Mandate:** Natural Resources  
**Active/Passive:** Passive  
**Market Value:** \$96.9 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 11/1/2012  
**Account Type:** Separately Managed

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

**Liquidity Constraints:**  
 Daily

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

Performance (%):	4Q13	Fiscal YTD	1 YR	Since 11/1/12
Northern Trust Global LargeMid NR	3.8	11.9	-2.4	-1.2
Net of Fees	3.8	11.8	-2.4	-1.2
S&P Global LargeMid Cap Commodities and Resources	4.0	11.9	-2.6	-1.3

	12/31/13		9/30/13	
	Northern Trust Global NR	S&P Global LargeMid Cap Comm & Res	Northern Trust Global NR	S&P Global LargeMid Cap Comm & Res
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	75.6	74.6	66.6	66.5
Median Market Cap. (US\$ billion)	9.7	8.9	9.4	8.6
Large (% over US\$10 billion)	88	88	86	87
Medium (% US\$2 billion to US\$10 billion)	11	11	13	12
Small (% under US\$2 billion)	1	1	1	1
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	18	18	18	18
Price-Book Value Ratio	2.3	2.3	2.2	2.2
Dividend Yield (%)	3.0	3.0	2.9	3.0
Historical Earnings Growth Rate (%)	8	9	7	7
Projected Earnings Growth Rate (%)	7	7	8	8
<b>Sector Allocation (%):</b>				
Energy	34	33	34	33
Consumer Staples	9	8	8	8
Consumer Discretionary	0	0	0	0
Financials	0	0	0	0
Health Care	0	0	0	0
Industrials	0	0	0	0
Information Technology	0	0	0	0
Telecommunication Services	0	0	0	0
Utilities	0	0	0	0
Materials	58	58	58	58
<b>Diversification:</b>				
Number of Holdings	209	214	209	213
% in 5 largest holdings	28	27	27	27
% in 10 largest holdings	44	44	43	42
<b>Region Allocation (%):</b>				
Europe/North America	78	77	77	76
Pacific/Asia	11	11	11	11
Asia (emerging)	4	4	4	4
Latin America (emerging)	2	2	2	2
Europe/MidEast/Africa (emerging)	5	6	5	6
Other	0	0	0	0
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Monsanto	7.8	Materials		
BHP Billiton	5.7	Materials		
ExxonMobil	5.6	Energy		
Syngenta	4.7	Materials		
Rio Tinto	3.7	Materials		



## Fixed Income Portfolio Reviews As of December 31, 2013



## San Jose Federated City Employees' Retirement System

## Northern Trust Intermediate Gov't 1-10 Year Portfolio Detail as of 12/31/13

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$113.6 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 10/1/2012  
**Account Type:** Commingled Fund

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

Performance (%):	4Q13	Fiscal YTD	1 YR	Since 10/1/12
<b>Northern Trust Intermediate Gov't 1-10 Year</b>	<b>-0.4</b>	<b>0.0</b>	<b>-1.3</b>	<b>-1.0</b>
<b>Net of Fees</b>	<b>-0.4</b>	<b>0.0</b>	<b>-1.3</b>	<b>-1.0</b>
Barclays Intermediate Gov't Bond Index	-0.4	0.0	-1.2	-1.0

	12/31/13		9/30/13	
	NTGI Int Gov't 1-10 yr	Barclays IT Gov't	NTGI Int Gov't 1-10 yr	Barclays IT Gov't
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	3.5	3.6	3.5	3.6
Yield to Maturity (%)	1.1	1.2	1.0	1.0
<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	88	90	88	89
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	12	10	12	11
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



# San Jose Federated City Employees' Retirement System

# Russell Investments Barclays U.S. TIPS Portfolio Detail as of 12/31/13

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$110.6 million  
**Portfolio Manager:** Russell Investments  
**Location:** Seattle, Washington  
**Inception Date:** 5/1/2010  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter

**Liquidity Constraints:**  
Daily

**Strategy:**  
Russell Investments seeks to construct a portfolio of U.S. TIPS securities subject to Staff's guidelines.

Performance (%):	4Q13	Fiscal YTD	1 YR	3 YR	Since 5/1/10
<b>Russell Investments Barclays U.S. TIPS</b>	<b>-0.6</b>	<b>0.1</b>	<b>-3.1</b>	<b>3.7</b>	<b>3.9</b>
<b>Net of Fees</b>	<b>-0.6</b>	<b>0.0</b>	<b>-3.1</b>	<b>3.7</b>	<b>3.9</b>
TIPS Blended Benchmark <sup>1</sup>	-1.1	-0.4	-5.3	3.3	3.7
Barclays U.S. TIPS	-2.0	-1.3	-8.6	3.5	3.8
Risk: (forty-four months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Russell Investments Barclays U.S. TIPS</b>	<b>3.6%</b>	<b>0.83</b>	<b>1.07</b>	<b>NA</b>	<b>0.97</b>
TIPS Blended Benchmark	4.2	1.00	0.85	NA	1.00

	12/31/13		9/30/13	
	Barclays U.S. TIPS	Barclays TIPS	Barclays U.S. TIPS	Barclays TIPS
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	2.5	6.8	2.7	7.4
Yield to Maturity (%)	1.0	2.4	0.9	2.2
<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> The TIPS Blended Benchmark Consists of 50% Barclays U.S. TIPS & 50% Barclays U.S. TIPS 1-5 years. Prior to January 1, 2012, it was comprised of 100% Russell Investments Barclays U.S. TIPS.



# **Global Macroeconomic Outlook**

## **December 2013**

## Global Economic Outlook

**Economic growth in most developed economies is expected to remain subdued in 2014 relative to the long-term trend, with the potential for modest improvements. Emerging market economic growth is projected to be higher than that for developed markets, but also more varied.**

- High unemployment, government austerity, and rising interest rates will remain headwinds to significant improvements in growth in the developed economies.
- Further increases in real interest rates and reductions in global liquidity will likely weigh on growth in emerging markets while growth improvements in developed economies, particularly the U.S. and Europe, could help export demand.
- With the exception of Japan, inflation is projected to be below the ten-year average globally over the next year. Subdued growth in developed economies and slowing growth in emerging economies, coupled with higher interest rates, should keep inflation at moderate levels. If central banks begin to reduce their historic monetary stimulus, inflationary pressures will decline further and deflation risk will increase across developed economies.

	Real GDP (%)		Inflation (%)	
	IMF 2014 Forecast	Actual Trailing 10 Years	IMF 2014 Forecast	Actual Trailing 10 Years
U.S.	2.6	1.7	1.5	2.4
European Union	1.3	1.2	1.7	2.3
Japan	1.2	0.9	2.9	-0.1
China	7.3	10.2	3.0	3.1
Emerging Markets (ex. China)	3.9	4.7	6.7	7.2

Source: IMF. "IMF 2014 Forecast" represents the IMF's October 2013 projections. The "Actual Trailing 10 Years" for Real GDP and Inflation includes a 2013 estimate.

## Global Economic Outlook, Continued

Global real interest rates finished 2013 significantly higher than a year prior, in spite of continued monetary stimulus. In 2014, further monetary stimulus in developed economies is likely, albeit at varied levels, while fiscal stimulus looks unlikely, with the exception of Japan.

	2011 Real Interest Rate	2012 Real Interest Rate	2013 Real Interest Rate
U.S.	-1.1%	0.0%	1.5%
Japan	1.4%	1.0%	-0.8%
European Union	-1.2%	-1.0%	1.1%
Emerging Markets	-0.6%	-0.6%	0.7%

Source: Bloomberg, BLS, IMF, JP Morgan. Real Interest Rates for the U.S., Japan, and the European Union represent the year-end ten-year government bond yield minus the year-end trailing twelve month CPI (inflation). The Real Interest Rate for emerging markets represents the year-end yield on the JP Morgan GBI-EM Global Diversified index minus the IMF calendar year CPI (inflation).

- In December, the U.S. Federal Reserve released its plan to reduce its \$85 billion per month bond purchase program by \$10 billion a month, citing improvements in the labor market. Specifically, they plan to reduce their mortgage-backed security and Treasury purchases each by \$5 billion per month. At the same time, they reconfirmed their pledge to keep interest rates low as long as unemployment was above 6.5%.
- Recently, Janet Yellen was confirmed as the new head of the U.S. Federal Reserve, replacing Ben Bernanke. Ms. Yellen has been the vice chair of the Federal Reserve for the past two years. Ms. Yellen started her term in February.
- In April, Japan's consumption tax will increase from 5% to 8%, with the possibility of further increases. The last time the tax was increased was in 1997, a period that preceded a recession. To soften the impact of the tax increase, a fiscal stimulus package will be implemented as well.

### Global Economic Outlook, Continued

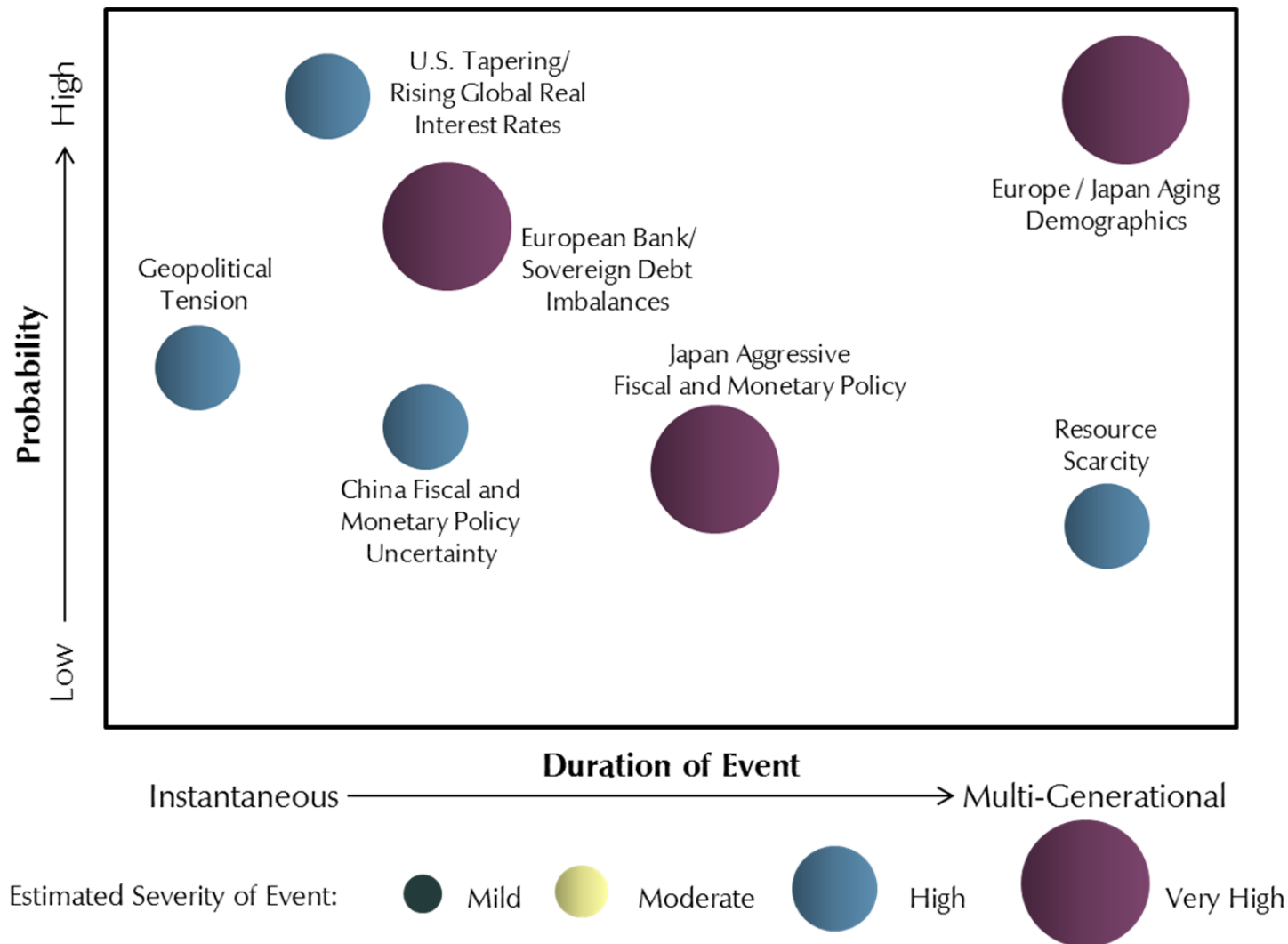
- The European Central Bank (ECB) reduced interest rates from 0.50% to 0.25% in November, a record low. They also announced that they would be willing to further reduce rates if the region's fragile recovery faltered.
- Later this year, the ECB is conducting a second round of bank stress testing, after the first round proved too lenient. The balance they need to strike will be between having some banks fail, but not so many that it is disruptive (e.g., bank runs and financial crisis). The question of who will pay for any capital shortfalls also remains.

#### **A U.S. budget deal was reached at year-end and Congress recently voted to increase the debt ceiling.**

- Initial estimates forecast that the partial U.S. government shutdown during the first two weeks of October decreased fourth-quarter GDP by more than 0.5%, equating to close to \$25 billion removed from the U.S. economy.
- President Obama signed a bipartisan two-year budget deal that included some sequester spending cut relief. The deal ultimately fell short of the hope for a "grand bargain."
- In February, Congress voted to increase the country's borrowing limit (i.e., "the debt ceiling") through March 2015 with little of the gridlock seen in similar recent votes.

**Several issues remain of primary concern: 1) continued economic sluggishness and financial risk in Europe; 2) increasing real interest rates globally; 3) the potential for a rapid slowdown in China hurting the global economy; and 4) increased geopolitical tensions around the world.**

### Macroeconomic Risk Matrix



**Macroeconomic Risk Overviews**

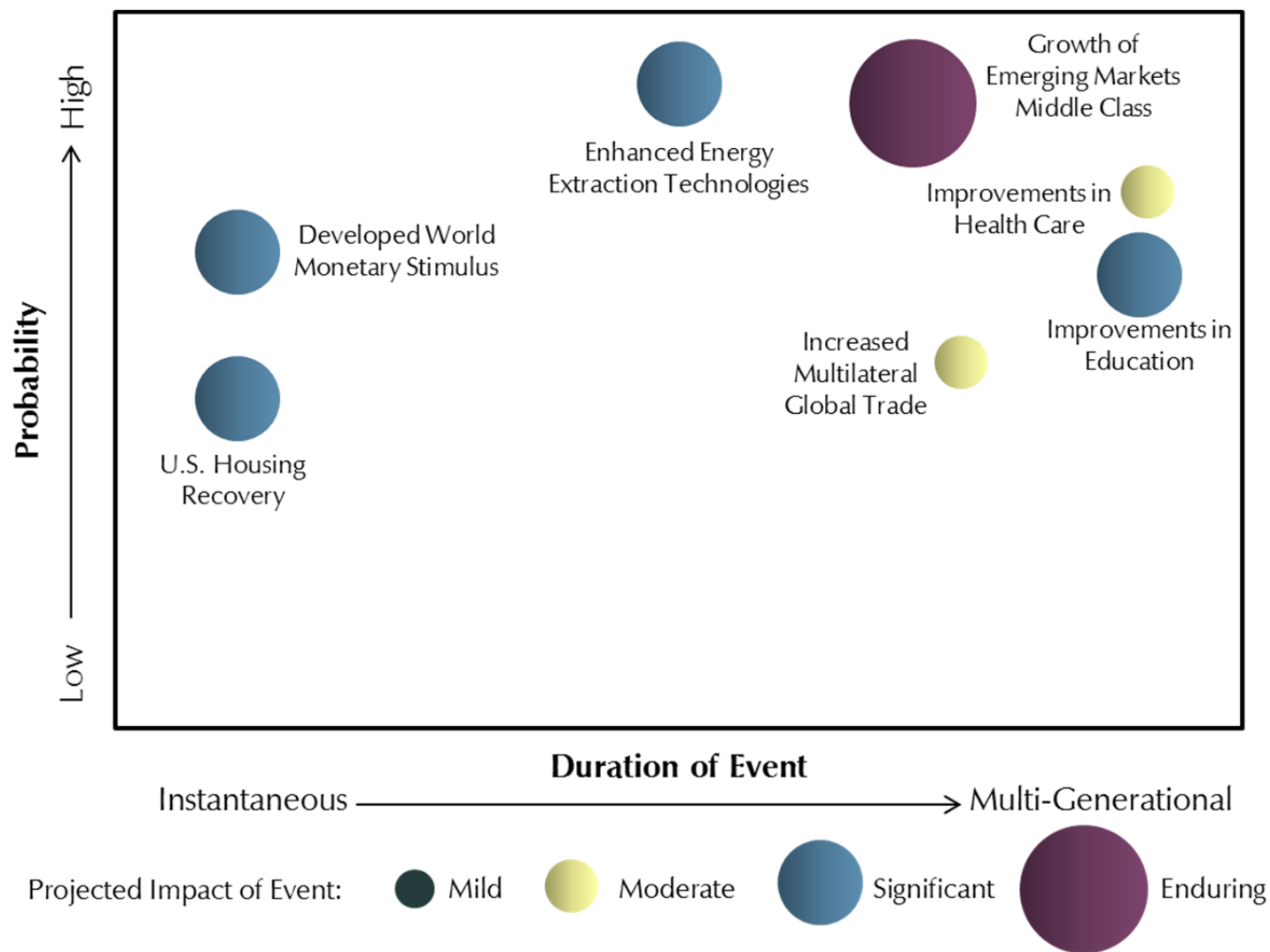
<b>European Bank/Sovereign Debt Imbalances</b>	The crisis is rooted in structural issues in the Euro-zone related to the combination of a single currency (euro) combined with 17 fiscal authorities. Several negative outcomes are possible from the sovereign debt crisis, including sequential sovereign default, a break-up of the euro, bank failures, political regime change, and rapid de-leveraging/deflation.
<b>Japan Aggressive Fiscal and Monetary Policy</b>	Japan has embarked on a historic stimulus program, commonly referred to as the "Three Arrows," in an effort to fight its decades of deflation. The plan includes monetary, fiscal, and structural components. Although some improvements have recently been seen in Japan's equity markets, inflation rate, and currency, many uncertainties remain. If Japan overshoots with its policies, or dramatically changes them unexpectedly, this could prove to be very disruptive to markets and growth.
<b>Europe/Japan Aging Demographics</b>	In Japan and Europe birth rates have declined, resulting in populations becoming older and smaller relative to the rest of the world. These demographic trends will have a negative long-term impact on GDP growth and fiscal budgets, amplifying debt problems.
<b>Geopolitical Tension</b>	Going into 2014, there remain many unresolved geopolitical issues including tensions between Iran and Israel, China's maritime expansion, the civil war in Syria, and uncertainties over the new leadership in North Korea. If these issues, and others, flare-up it could prove to be disruptive to markets, trade, and growth.
<b>China Fiscal and Monetary Policy Uncertainty</b>	A lot of China's recent growth was fueled by debt. One of the focuses of the new leadership regime in China has been to transition the country from a model of debt-fuelled growth to a model of consumption based growth. This transition process could prove to be difficult in the short-term, as the targeted rate of debt growth could weigh heavily on economic growth.



**Macroeconomic Risk Overviews, Continued**

<b>U.S. Tapering/ Rising Global Real Interest Rates</b>	After the Global Financial Crisis, the developed world, particularly the U.S., injected massive amounts of liquidity into the system in an effort to prevent depression-like declines in growth. Earlier in 2013, the U.S. Federal Reserve hinted that it may begin reducing its bond purchase program (i.e., "tapering") if economic growth continued to improve. In December, the Federal Reserve announced that it would in fact begin reducing its purchases by \$10 billion per month. The market reaction to the change in monetary policy has been a dramatic increase in global yields. If monetary stimulus is removed too quickly, the fragile recovery from the Global Financial Crisis may be derailed.
<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, it is possible that commodity prices will skyrocket, hurting the living standards of many and increasing the risk of geopolitical conflicts.

### Positive Macroeconomic Trends Matrix



## Positive Macroeconomic Trends Overviews

<b>Growth of Emerging Markets Middle Class</b>	In emerging economies, the size of the middle class is projected to grow significantly over the next twenty years. The growing middle class in the emerging economies should increase consumption globally, which in turn will drive GDP growth and create jobs.
<b>Increased Multilateral Global Trade</b>	The pace of globalization has accelerated, particularly in emerging economies. Increased trade and investment, as well as access to foreign capital and export markets for corporations, should lead to lower costs, higher efficiencies, and higher global growth.
<b>Improvements in Education/Healthcare</b>	Literacy rates and average life spans have increased globally, particularly in the emerging economies. Higher literacy rates will likely be a driver of future growth, as the ability to read helps people learn new skills and improve existing skills. When people live longer it increases incentives to make long-term investments in human capital (i.e., education and training), resulting in a more productive work force and ultimately more growth.
<b>Enhanced Energy Extraction Technologies</b>	Hydraulic fracturing (i.e., fracking) technologies have allowed large new supplies of natural gas and oil to be extracted from shale rocks, predominantly in the U.S. The large new supply of natural gas has decreased U.S. prices to levels considerably below the rest of the world. Going forward, it is likely that other countries will work to improve their fracking technologies, further increasing the supply of oil and gas globally.
<b>U.S. Housing Recovery</b>	The U.S. housing market continues to show signs of recovery as building permits, housing starts, and prices have all increased recently. A recovery in the U.S. housing market should create jobs both in the construction and financial services industries, potentially decreasing the unemployment rate and ultimately increasing growth. The recent increase in mortgage rates related to the Federal Reserve decreasing its bond purchase program remains a potential deterrent to a sustained U.S. housing recovery.
<b>Developed World Monetary Stimulus</b>	Developed market central banks have embarked on a massive monetary stimulus campaign in the aftermath of the Global Financial Crisis. The U.S., European, and Japanese central banks continue to maintain interest rates at record lows. Japan has embarked on an unprecedented asset purchase program (quantitative easing), while the U.S. recently announced it would begin reducing its stimulative efforts. Going forward, if central banks continue to provide liquidity and keep interest rates low this should stimulate growth.

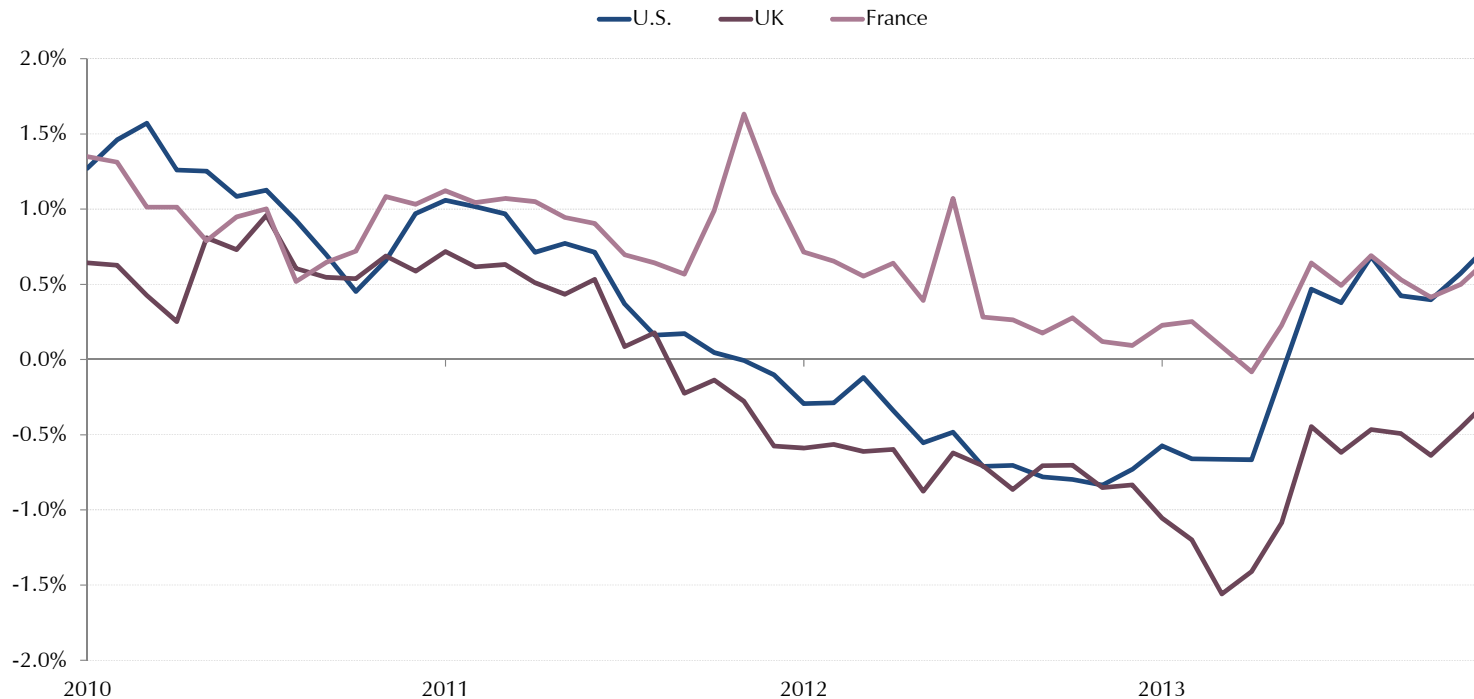
### Global Gross Domestic Product (Real GDP) Growth



Source: IMF. Estimates for 2013-2018 are from the IMF.

- Real GDP growth has slowed globally since the post Global Financial Crisis recovery with emerging economies continuing to grow at a faster pace than developed economies.
- Going forward, it is projected that growth will begin to improve, although at a slow pace.

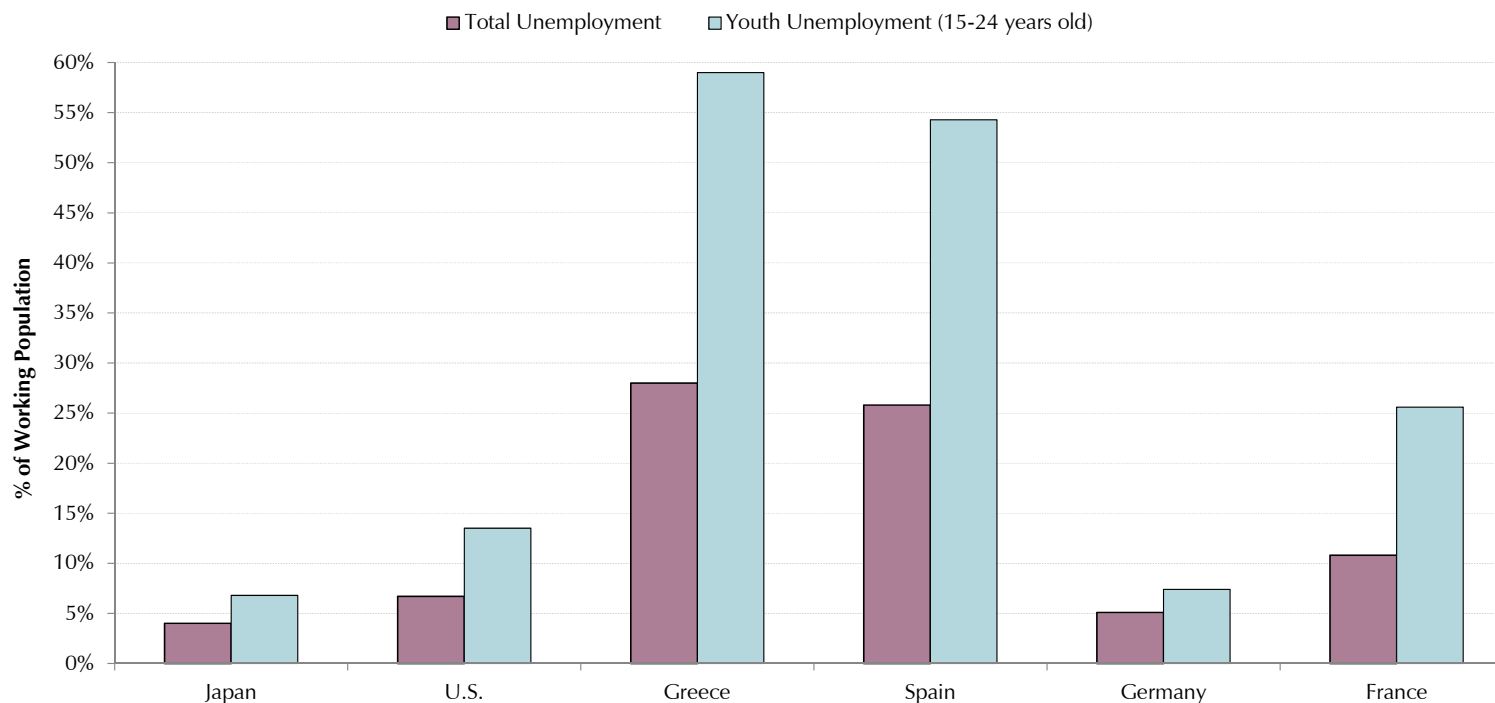
### Real Yields for Ten-Year Inflation-Linked Bonds



Source: Bloomberg. Data is as of December 31, 2013.

- Since the U.S. Federal Reserve announced they were considering tightening monetary policy (i.e., tapering), real yields have been on an upward trajectory.
- In the fourth quarter, real yields for ten-year inflation-linked bonds continued to increase, as the U.S. Federal Reserve announced they would begin reducing their bond buying program.

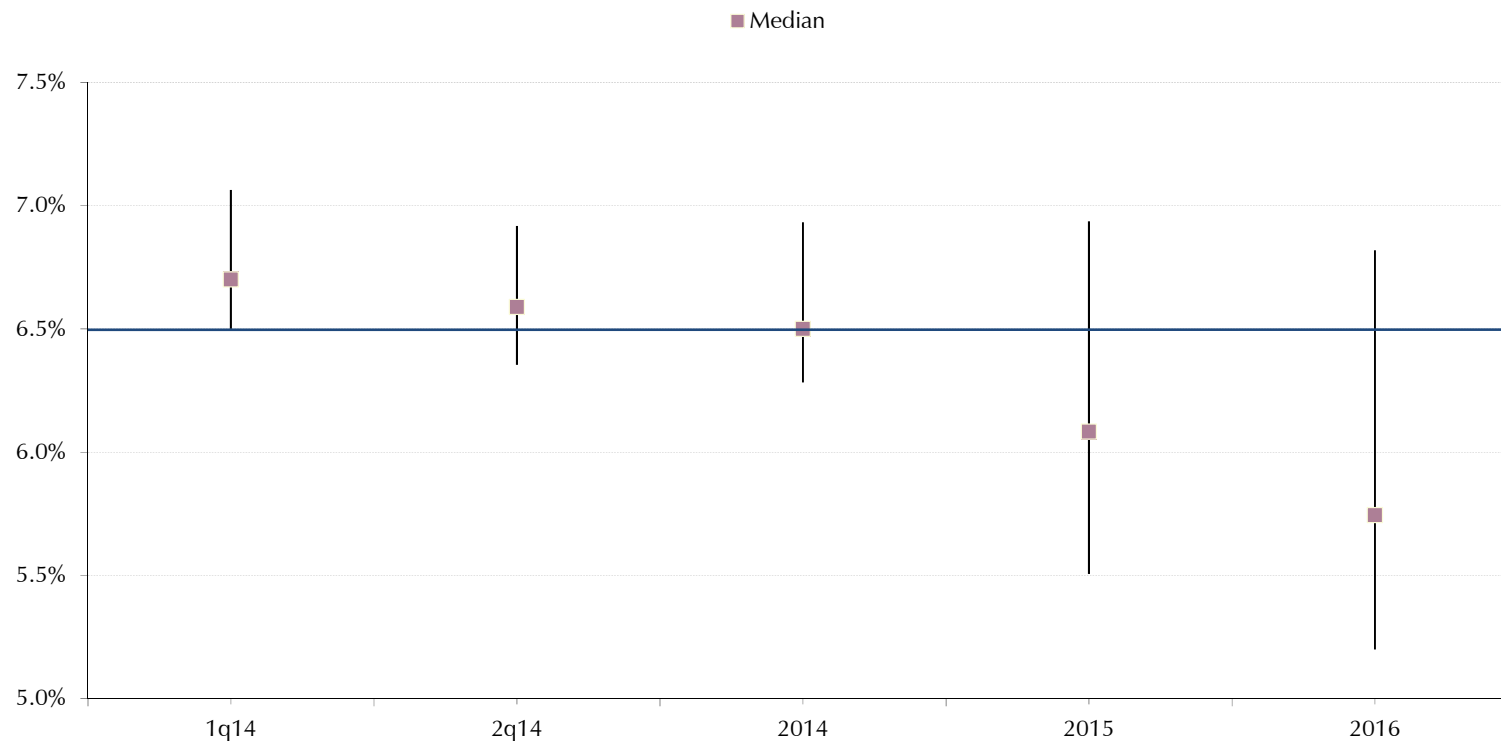
## Global Unemployment



Source: Eurostat. Data is as of December 31, 2013 with the exception of Greece and Japan which are as of November 30, 2013.

- Unemployment continues to be a headwind to growth in developed economies, particularly the peripheral European nations.
- Youth unemployment is markedly higher across countries, with Greece and Spain both over 50%.

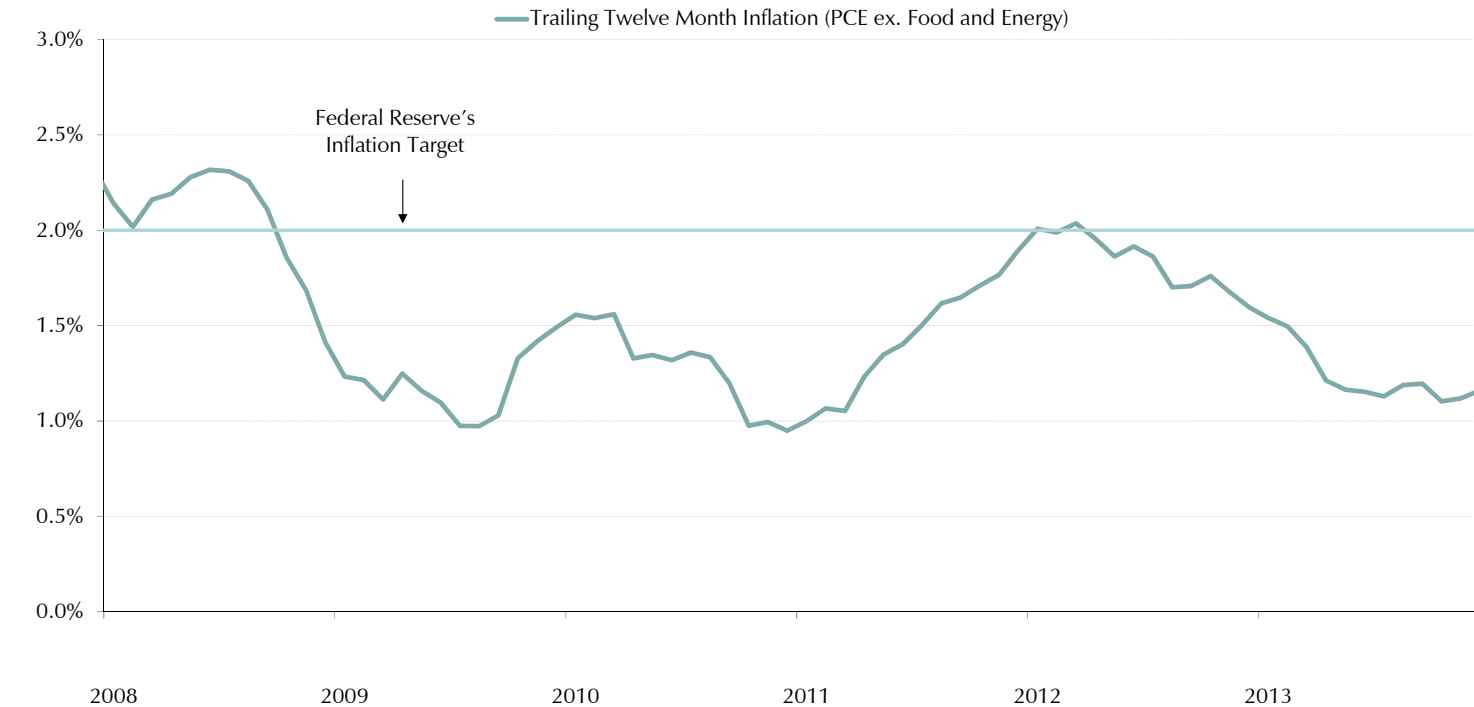
## U.S. Unemployment Forecast



Source: Philadelphia Federal Reserve Survey of Professional Forecasters Q1 2014 survey.

- The U.S. Federal Reserve announced that it would connect its interest rate policy with the unemployment rate.
- Specifically, they plan to keep interest rates low as long as unemployment remains above 6.5%.
- Economists forecast that unemployment will decline below this level over the next several years.

## U.S. Inflation

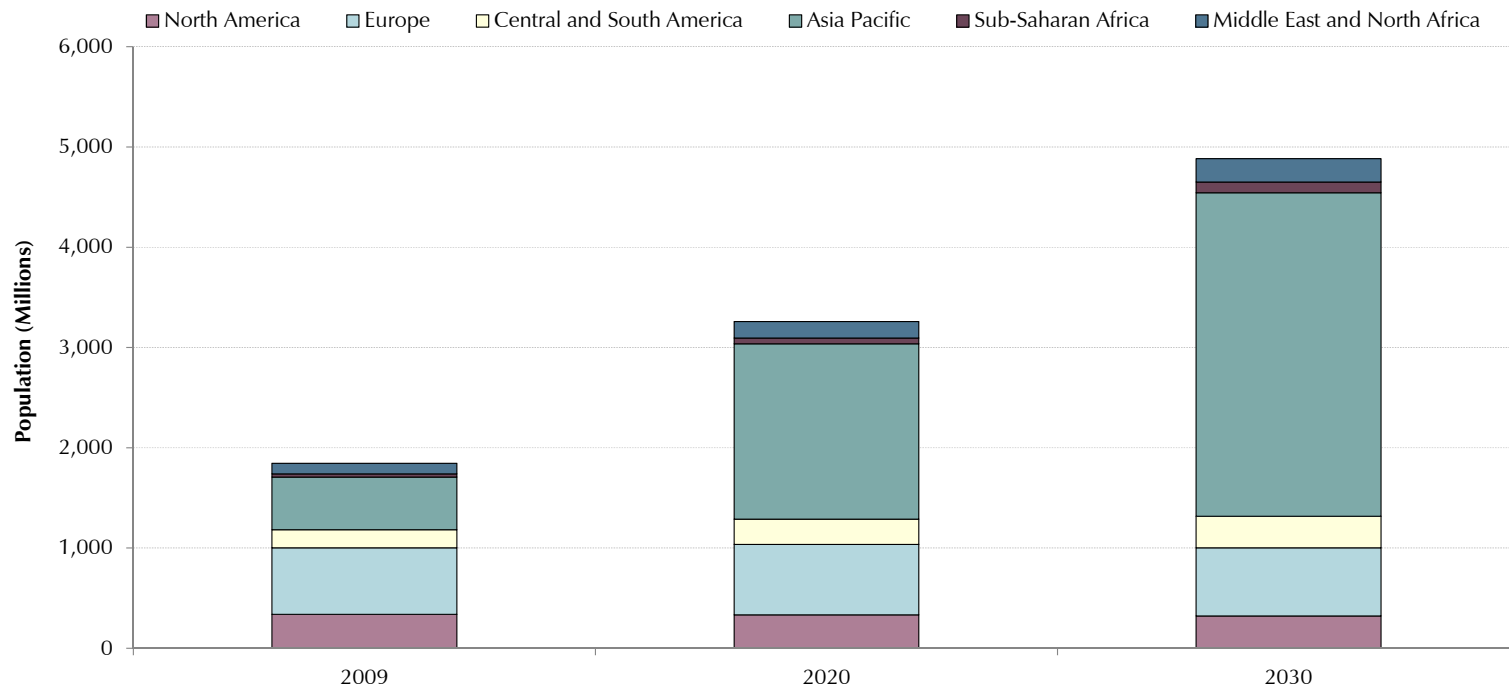


Source: U.S. Bureau of Economic Analysis. Data is as of December 31, 2013.

- The U.S. Federal Reserve's preferred measure of inflation remains well below its tolerance level.
- If economic data begins to soften, low inflation levels would provide the Federal Reserve more flexibility in their monetary policy.



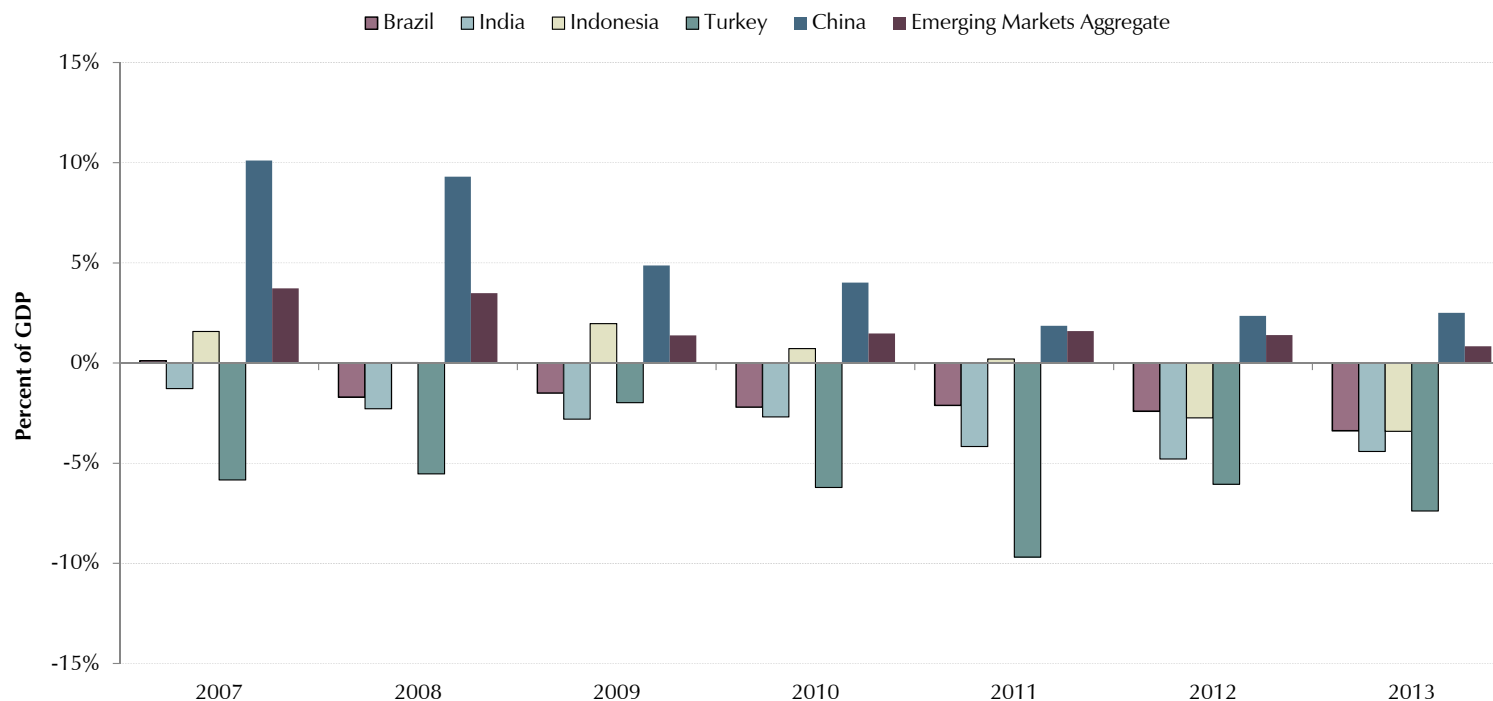
### Size of the Middle Class by Region: 2009 - 2030



Source: Brookings Institute.

- Although emerging market returns having recently trailed those of developed markets, the long-term investment thesis remains intact (e.g., a growing middle class).
- Increased consumption by the growing emerging market middle class should help bolster global growth.

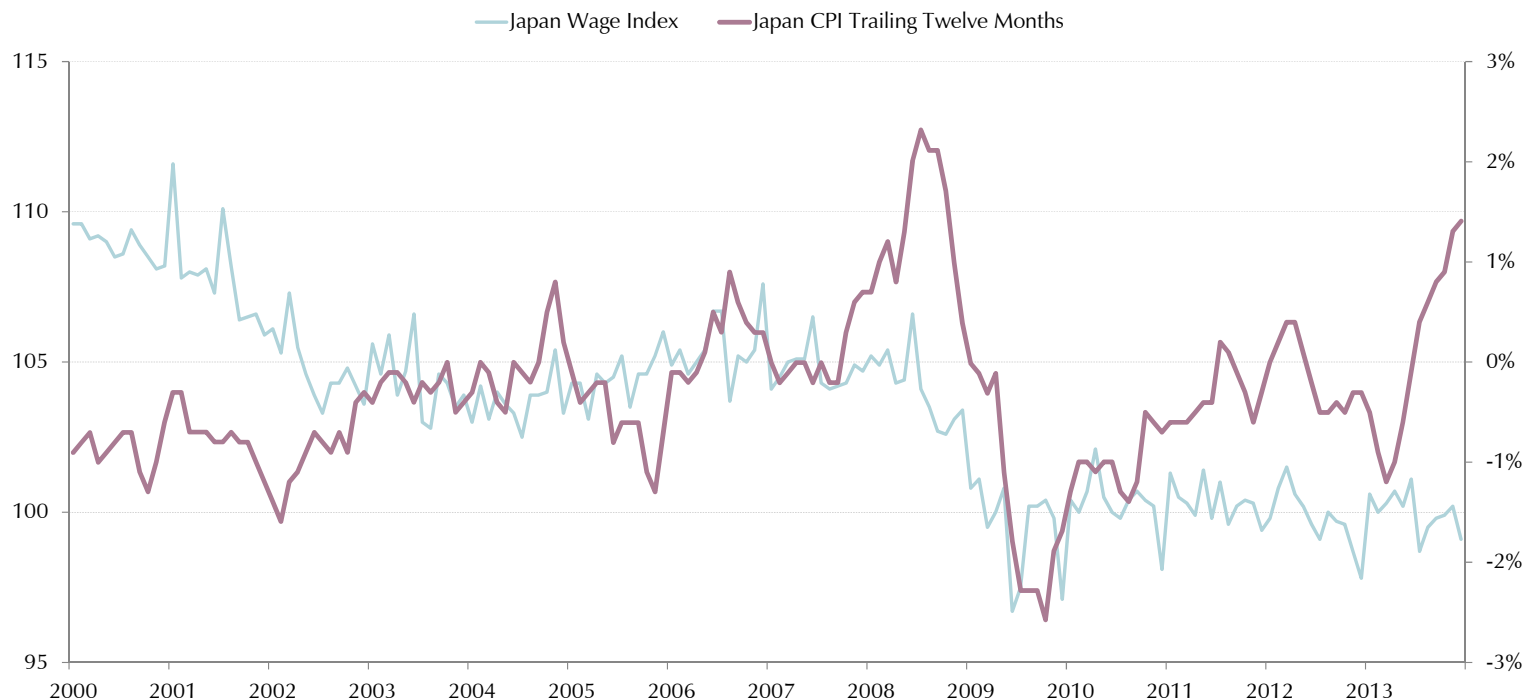
## Current Account Balances



Source: IMF.

- Due in part to rising interest rates in the U.S., emerging market economies have experienced capital outflows, driving down currency values.
- In aggregate, emerging economies' current account balances have declined, but remain positive. Countries with current account deficits have been particularly hurt by the capital outflows, as central banks struggle with balancing increasing interest rates to defend their currencies with slowing growth.

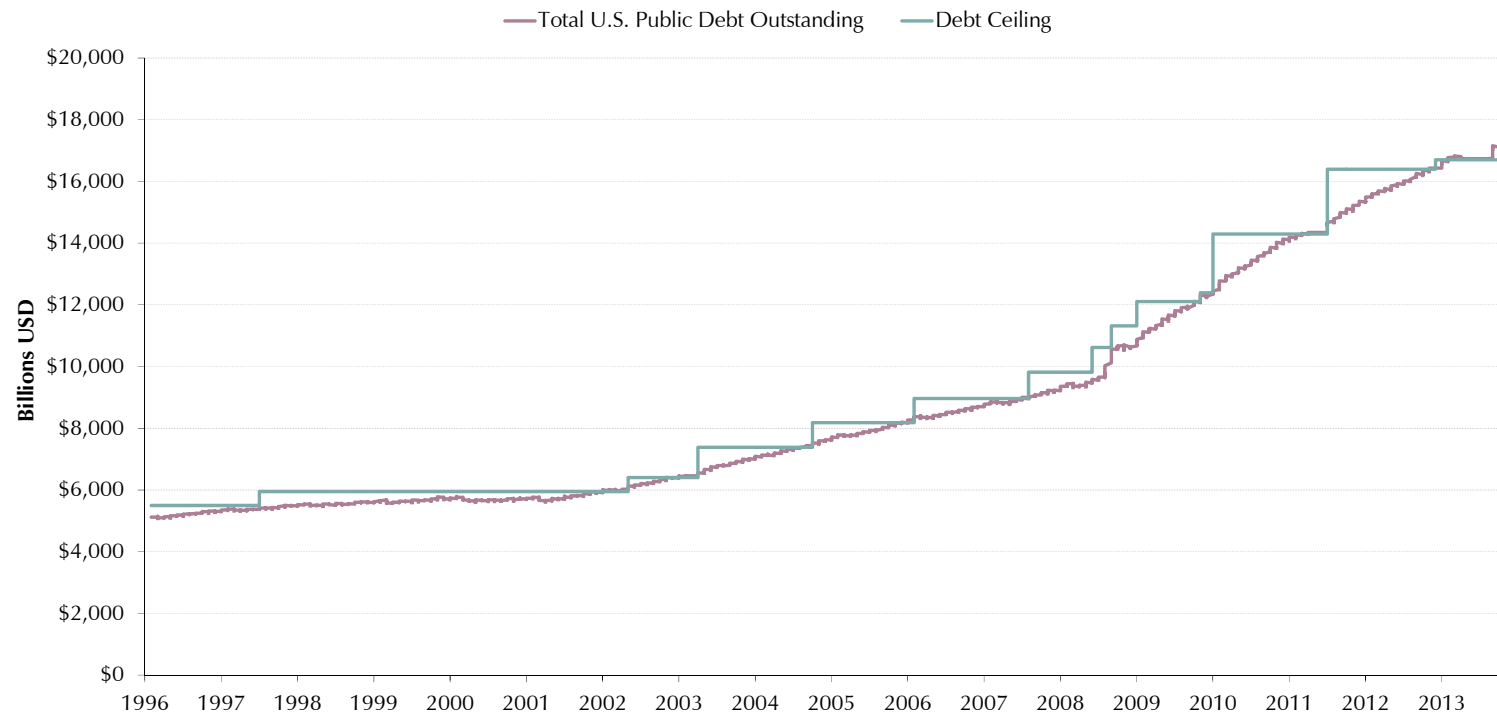
## Japan Economic Conditions



Source: Thomson Reuters for the Japan Wage Index, 2010 = 100, Bloomberg for CPI, data is as of December 31, 2013.

- Inflation in Japan increased recently as the yen weakened in light of the historic policies targeted at fighting deflation. Most of the increase in prices was due to cost-push inflation (i.e., rising food and energy prices).
- For there to be a sustainable recovery and exit from deflation, wages will need to start showing signs of improvement. Higher food and energy prices and the impending consumption tax increase, could further weigh on consumption.

## Debt Ceiling



Source: Treasury Direct and FAS. Data is as of December 31, 2013.

- The Federal Government's permissible level of outstanding debt is referred to as the "debt ceiling."
- Since 1996, the debt ceiling has been increased 12 times as the U.S. debt level swelled more than 300% to over \$17 trillion.
- In October, the U.S. Congress passed a deal to temporally suspend the debt ceiling with the issue to be further discussed in early 2014. In February, Congress voted to increase the debt ceiling through March 2015 without the tensions seen in other votes over the last few years.

## Summary

**For 2014, four primary concerns face the global economy: 1) continued economic sluggishness and financial risk in Europe; 2) increasing real interest rates globally; 3) the potential for a rapid slowdown in China hurting the global economy; and 4) increased geopolitical tensions.**

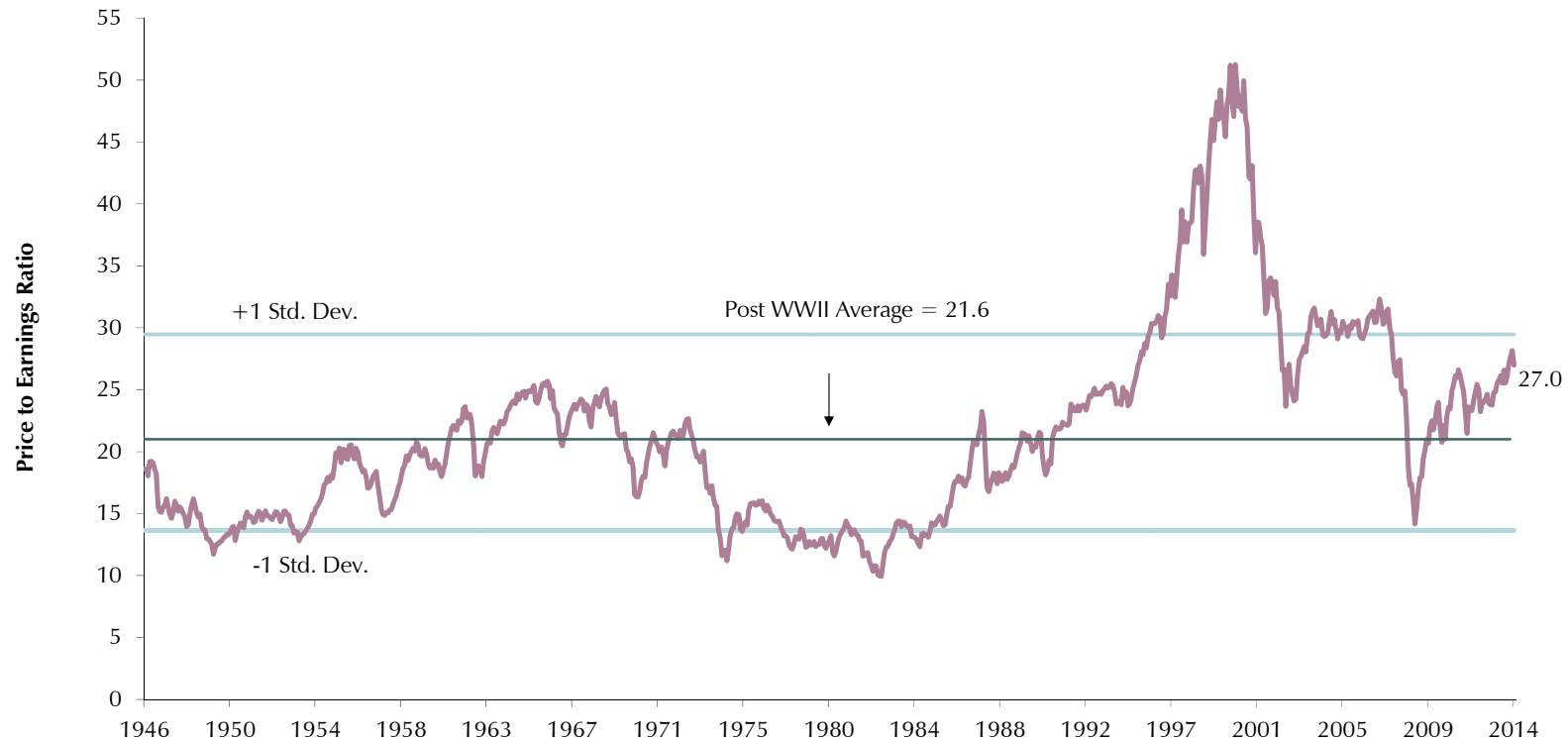
- We anticipate that growth will remain subdued in developed economies with the potential for modest improvements. Increasing real interest rates, high unemployment, and fiscal austerity remain the main counterforces to growth in developed economies.
- Lower demand from China and upward trending real interest rates will likely continue to create headwinds for emerging market growth. Notwithstanding, emerging market economic growth will remain higher than that for developed markets, but will be more varied. Growth improvements in developed economies, particularly the U.S. and Europe, could help export demand.
- Slow growth globally and an increase in interest rates should keep inflation subdued in the near-term. If central banks begin to reduce their historic monetary stimulus, inflationary pressures will decline further. The risk of deflation exists in developed economies.
- Continued monetary stimulus in Europe, the emerging economies, the U.S., and Japan is likely, albeit at varied levels. If economic conditions continue to improve in the U.S., the Federal Reserve said they may further reduce their bond purchase program.
- Japan is likely to continue its fiscal stimulus as a part of its efforts to fight deflation. Additional fiscal stimulus in other developed economies looks unlikely in the face of high government debt burdens.

## Capital Markets Outlook

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

- Investors are faced with three primary issues in the near-term: 1) historically low bond yields, 2) the potential for a transition into a rising rate environment, and 3) the potential for deteriorating corporate earnings.
  - The price of the U.S. stock market relative to ten-year average earnings increased slightly from the beginning of the year, remaining above its historical average (27.0x versus 21.6x).
    - Small cap domestic stocks remain richly priced 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.
  - Uncertainties around global demand (particularly from emerging markets), stimulative monetary policy, and geopolitical tensions will likely cause heightened volatility.
    - In particular, the monetary policy changes by the U.S. Federal Reserve are having a meaningful impact on most markets.
  - At the end of January, the spreads for both high yield corporate bonds (4.0% versus 5.6%) and investment grade bonds (1.2% versus 1.6%) were below their long-term averages.
  - At 2.7%, the yield on the ten-year Treasury remained far below its post-WWII average of 5.7%.
  - Low yields on fixed income instruments are likely to push long-term investors further out on the risk spectrum as they seek to achieve their target returns, while short-term investors may look to cash for safety.

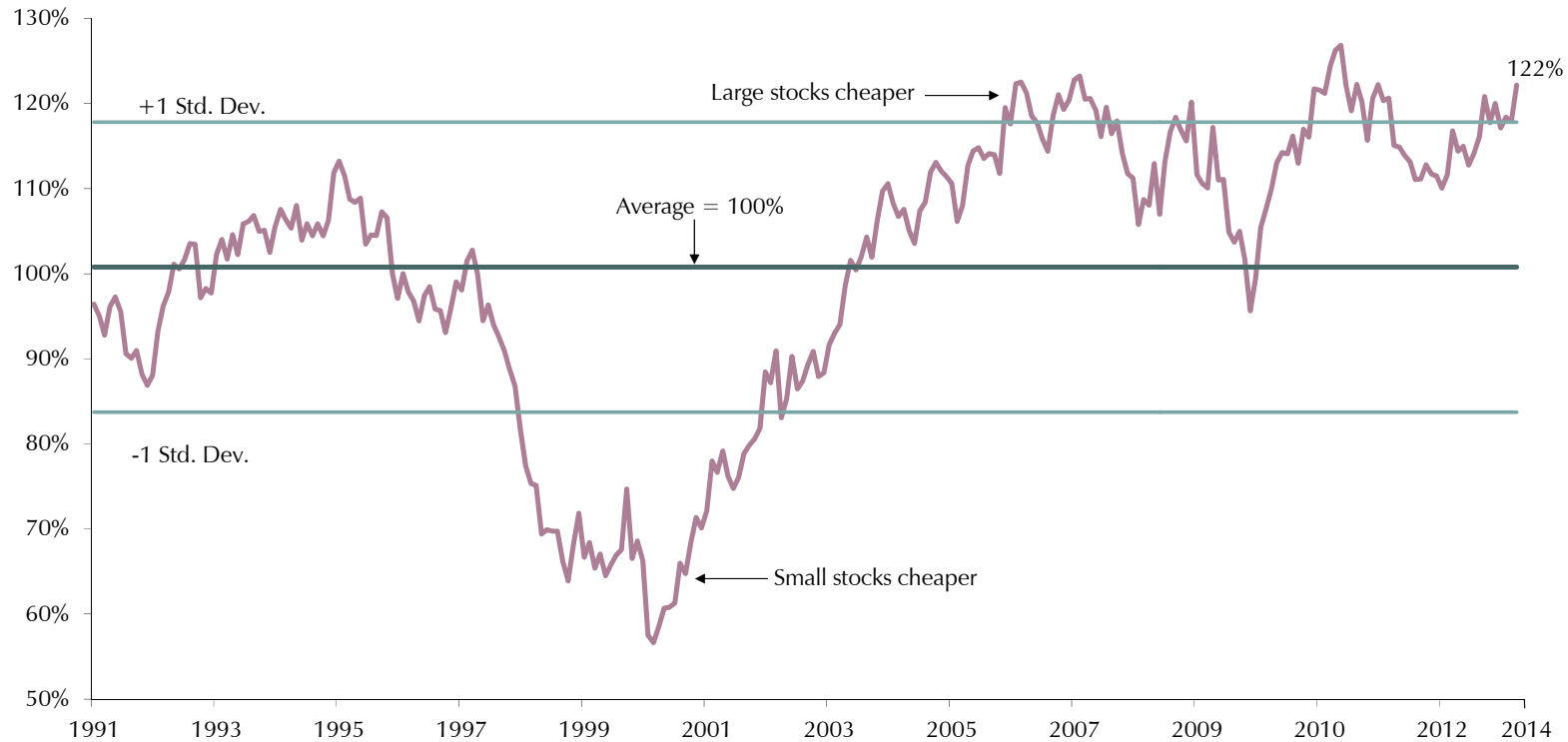
<sup>1</sup> Sources: Thomson Reuters, U.S. Treasury, Standard & Poor's. Data is as of January 31, 2014.

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

- The cyclically adjusted P/E ratio for the S&P 500 finished January at 27.0x, above its post-WWII average of 21.6x.
- Recent strong performance has driven this valuation measure past its long-term average. While still in a reasonable zone, it is not likely that this type of price appreciation can continue indefinitely.

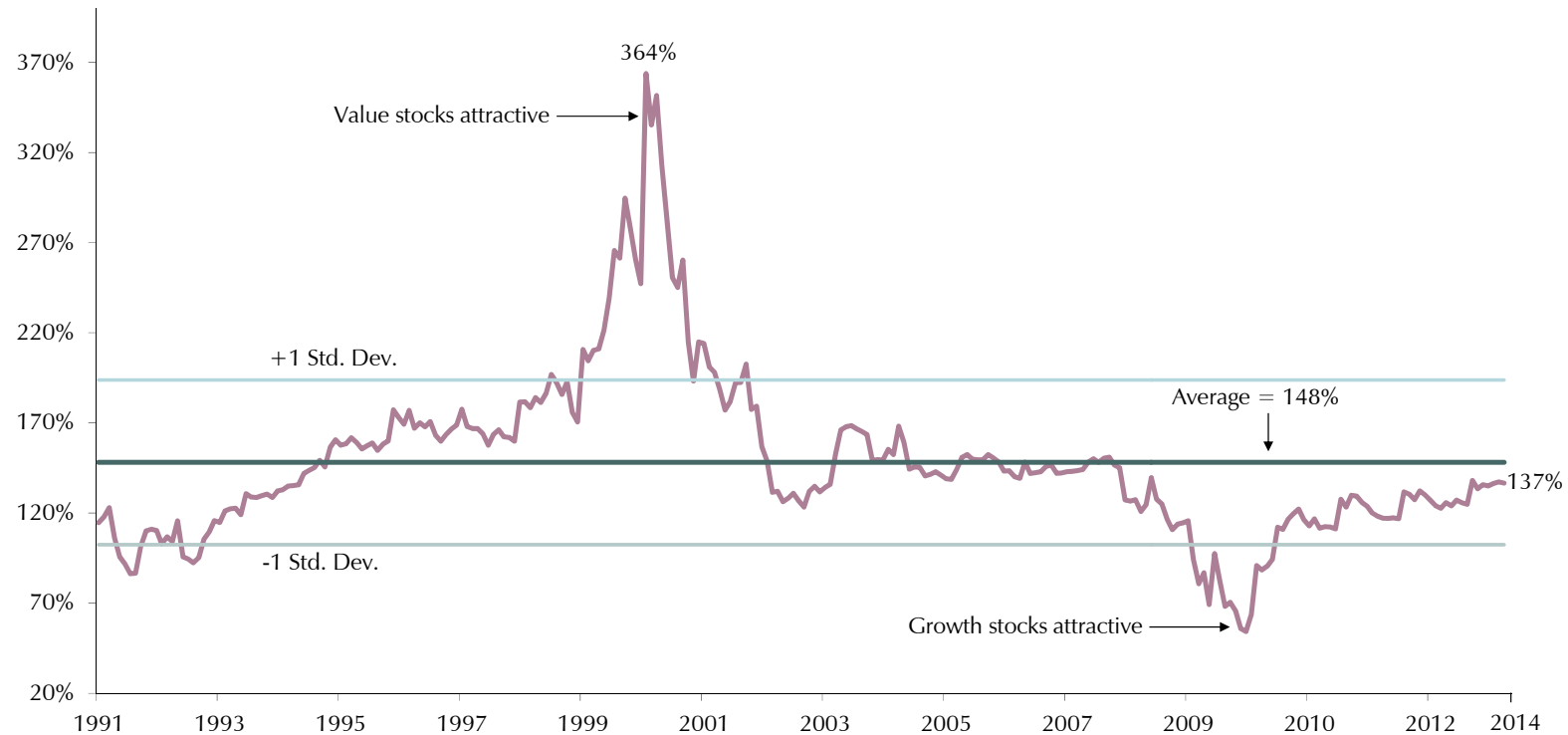
<sup>1</sup> Source: Standard & Poor's. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of January 31, 2014.



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

- The P/E ratio of small cap stocks (Russell 2000) relative to large cap stocks (Russell 1000) remains more than one standard deviation above its long-term average, signaling potential underperformance of small cap stocks relative to large cap stocks.

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

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

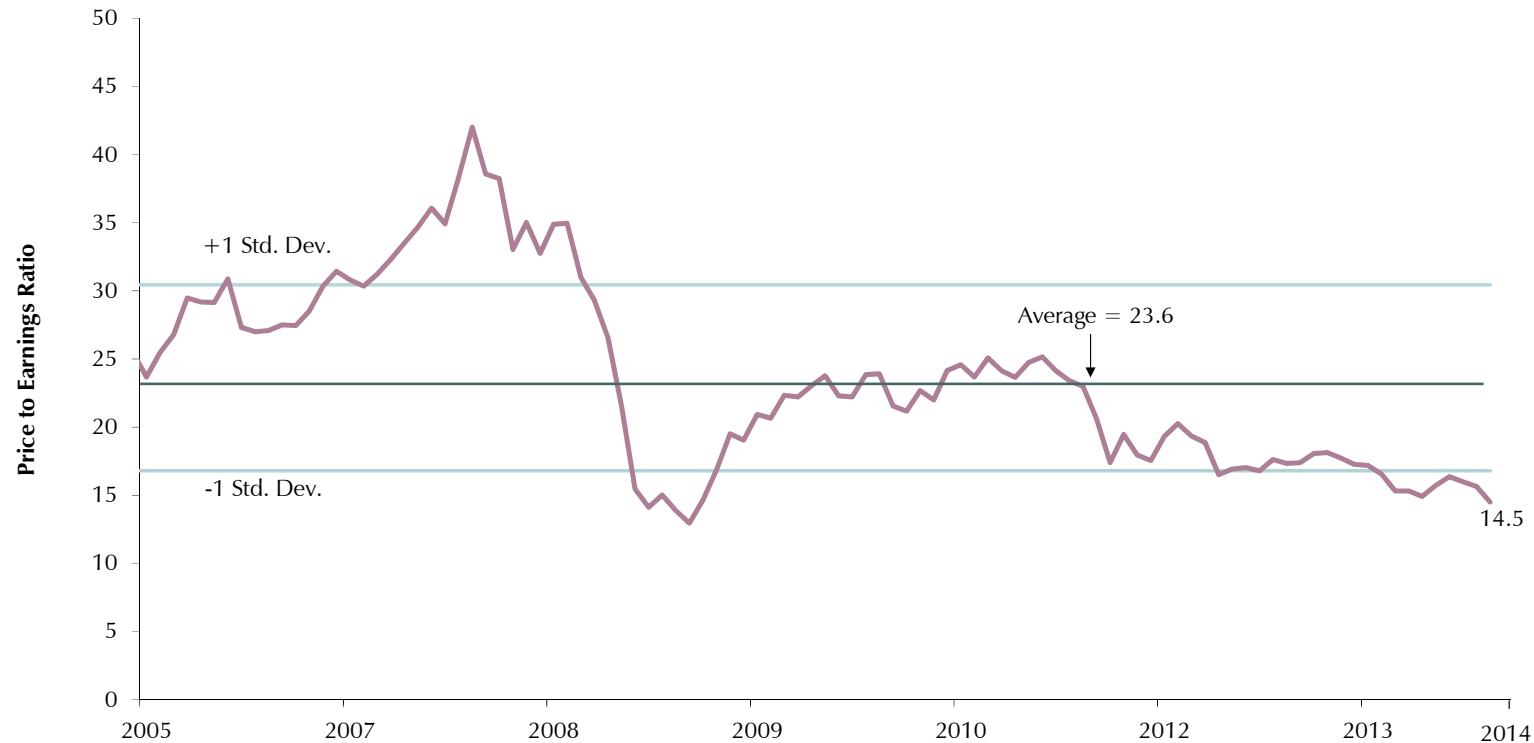
- The P/E ratio of growth stocks (Russell 3000 Growth) relative to value stocks (Russell 3000 Value) finished January at 137%, well above its level three years prior, but still below its long-term average.
- Of note, the long-term average was sharply influenced by the technology bubble of the late 1990s.

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

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

- Valuations (for the MSCI EAFE (ex-Japan)) remain more than 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 January 31, 2014.

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

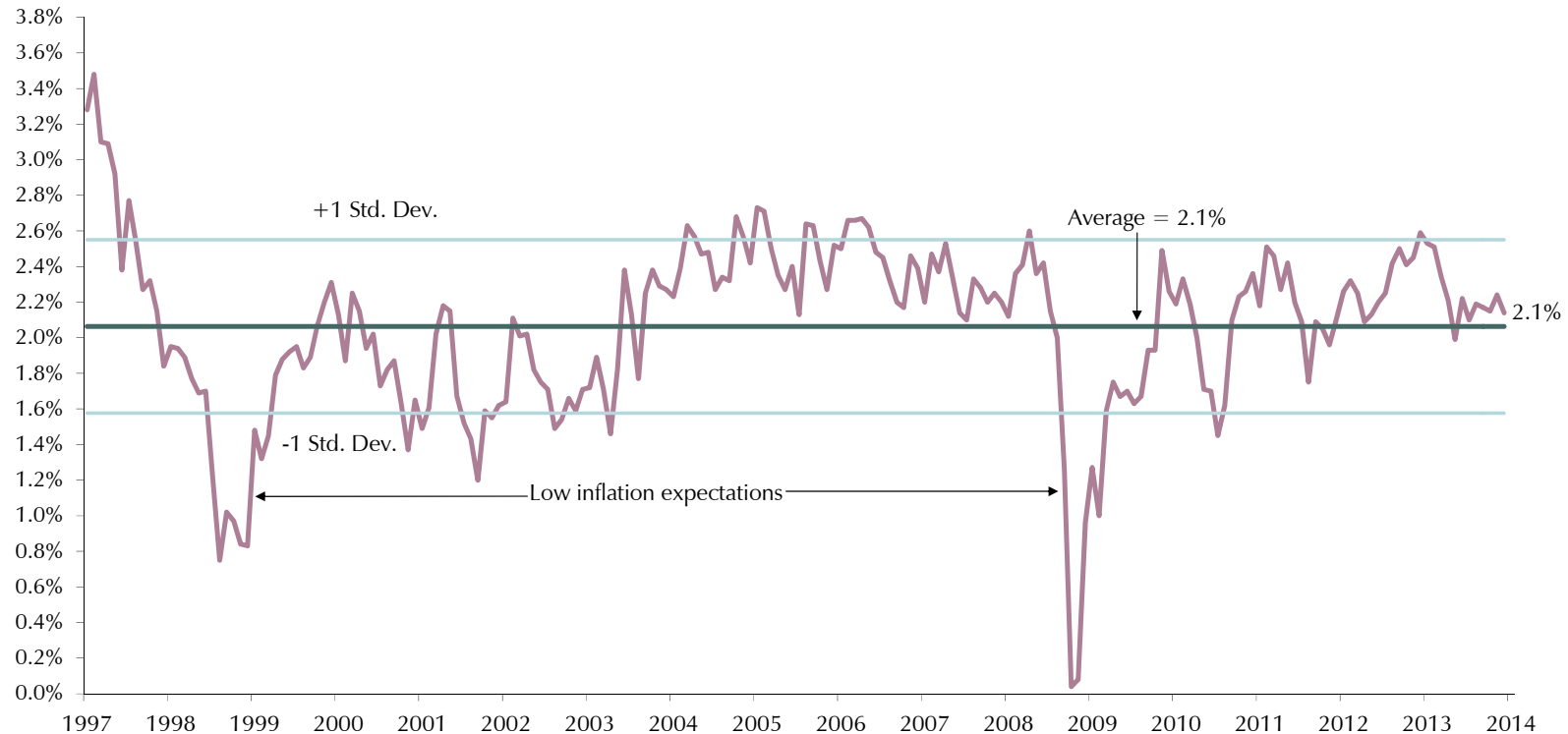
- Emerging market equities (MSCI Emerging Markets) are priced more than one standard deviation below their (brief) historical average.
- By this metric, Emerging Market equities are trading at a much lower valuation than U.S. equities, and at a slightly lower valuation than non-U.S. developed market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

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

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

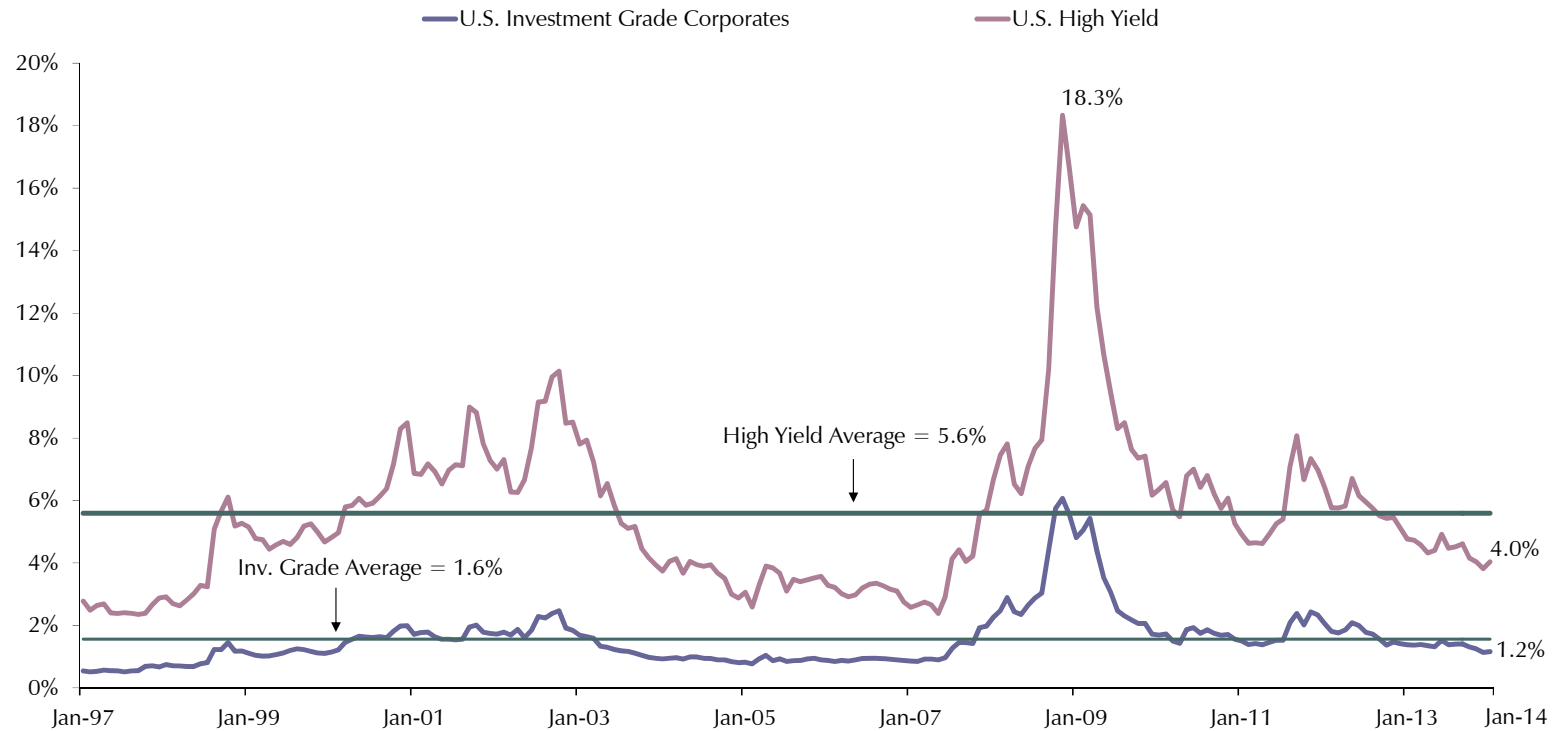
- Ten-year Treasury yields were 2.7% at the end of January, meaningfully above their level at the end of 2012, but well below their post-WWII average.
- The decision from the Federal Reserve to begin “tapering” off U.S. Quantitative Easing was one of the causes of the increase in rates during recent months.

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

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

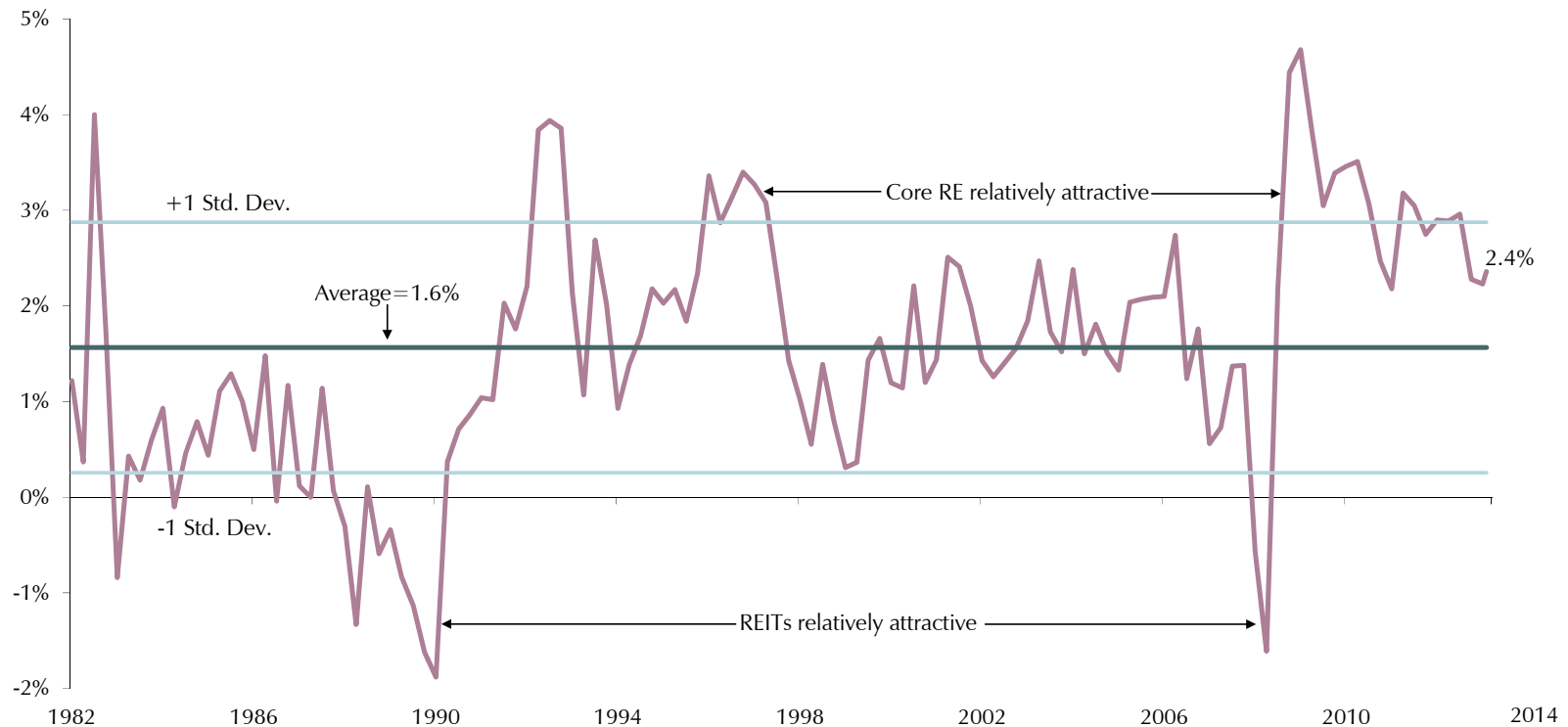
- Breakeven (or expected) inflation, the difference between the nominal yield on a ten-year Treasury and the real yield on a ten-year TIPS, was close to its historical average at the end of January.
- The inflation rate year over year was 1.5% at the end of 2013. This means actual inflation has been 0.6% below the ten-year breakeven inflation rate.

<sup>1</sup> Source: U.S. Treasury and Federal Reserve. Data is as of January 31, 2014 for TIPS and Treasuries. Inflation is measured by the Consumer Price Index (CPI-U) for which the most recent data point is from December 31, 2013.

Credit Spreads<sup>1</sup>

- Credit spreads (versus U.S. Treasury bonds) for both high yield and investment grade corporate bonds finished January below their respective historical averages.

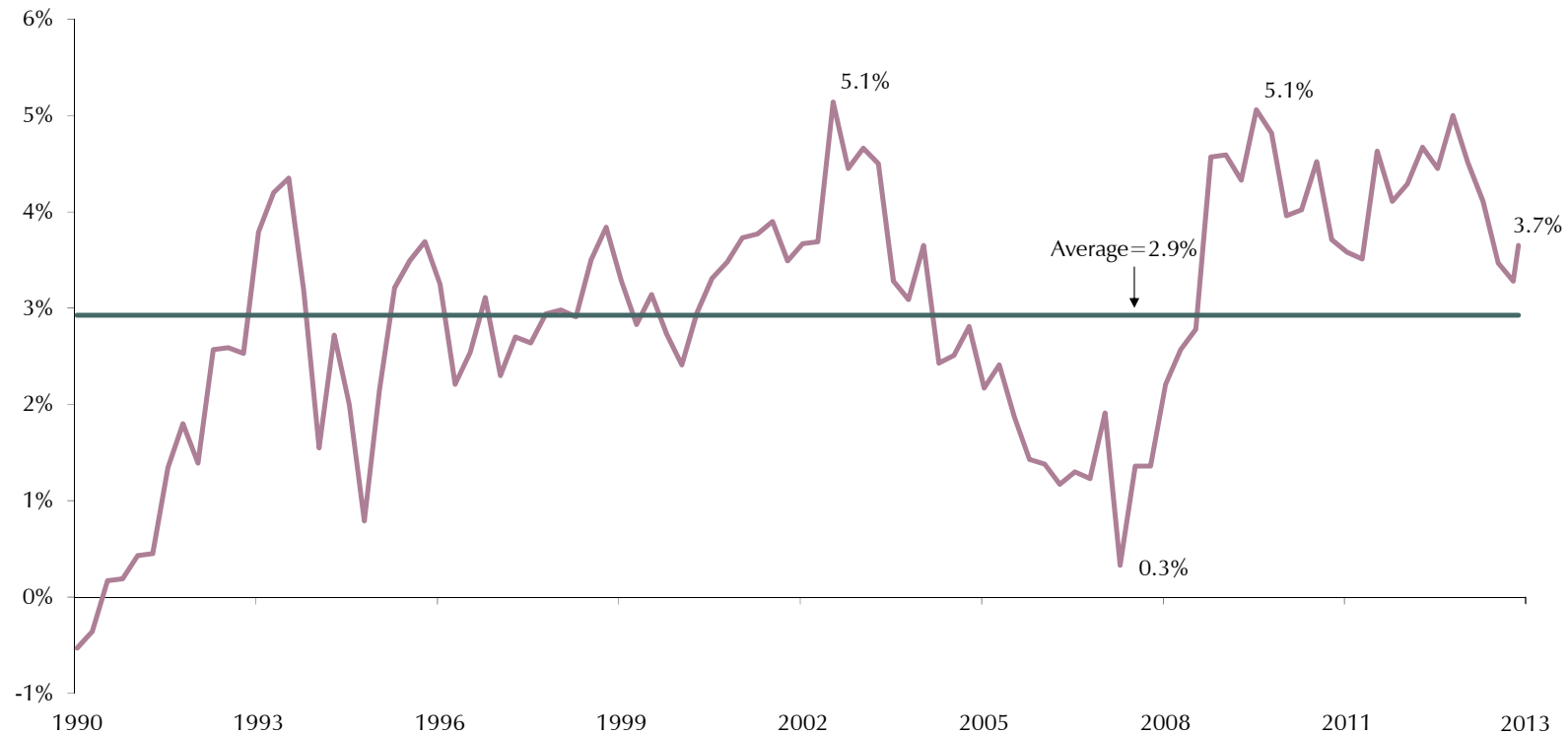
<sup>1</sup> Source: Barclays Capital. High Yield is proxied by the Barclays High Yield index and Investment Grade Corporates are proxied by the Barclays U.S. Corporate Investment Grade index. Data is as of January 31, 2014.

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

- At the end of January, the spread between core real estate cap rates and REIT yields was 2.4%, which has come down significantly in recent months toward its long-term average.
- REITs were yielding 4.0% at the end of January, 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. January 31, 2014 NCREIF NPI data is not yet available. Data is as of December 31, 2014, for the NCREIF NPI and January 31, 2014, for the NAREIT Equity index.

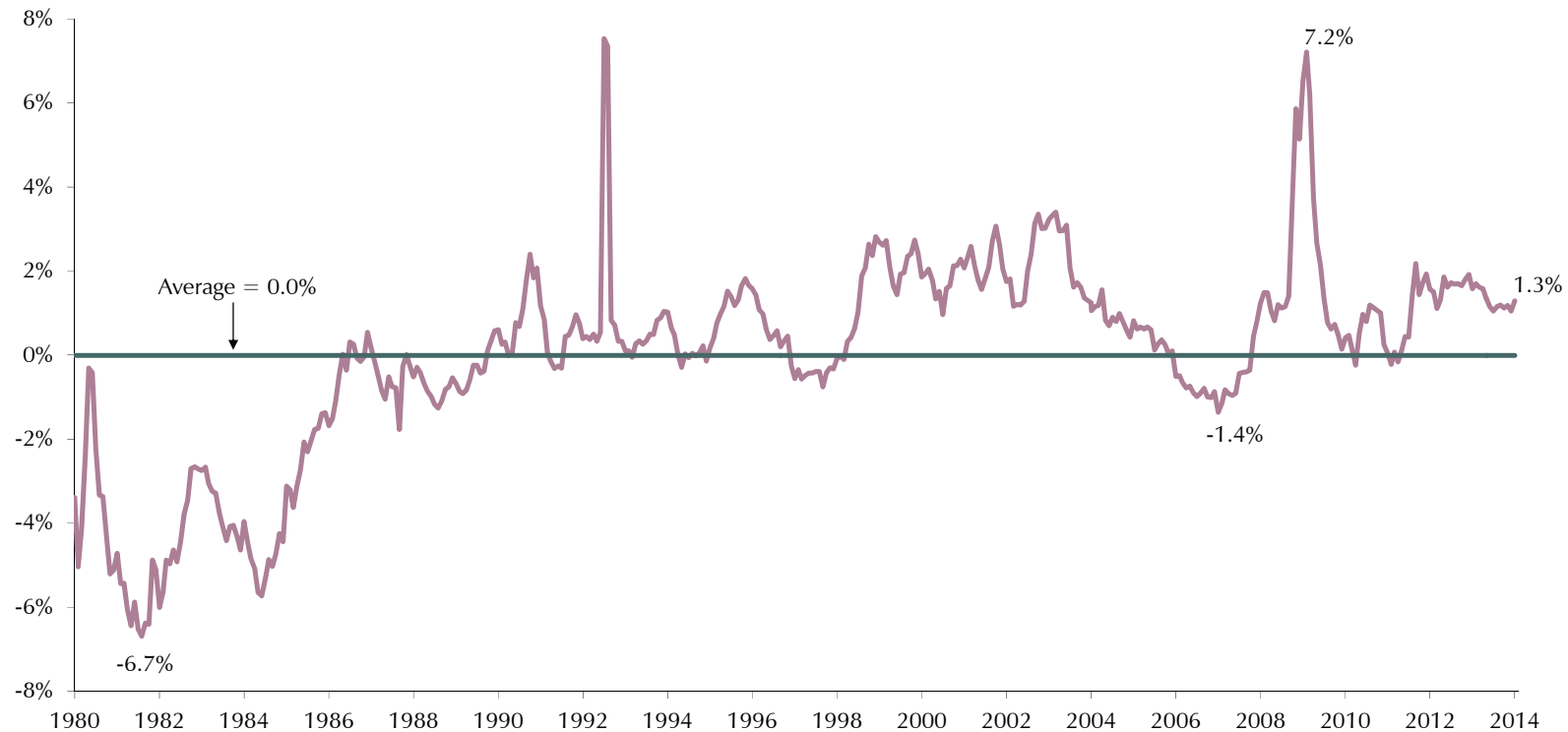


Core Real Estate Spread vs. Ten-Year Treasury<sup>1</sup>

- At 3.7%, the difference between the 6.3% cap rate for core real estate and the 2.7%<sup>2</sup> yield for the ten-year Treasury is near its historical average.
- Still, the absolute level of core real estate cap rates is near a historical low.

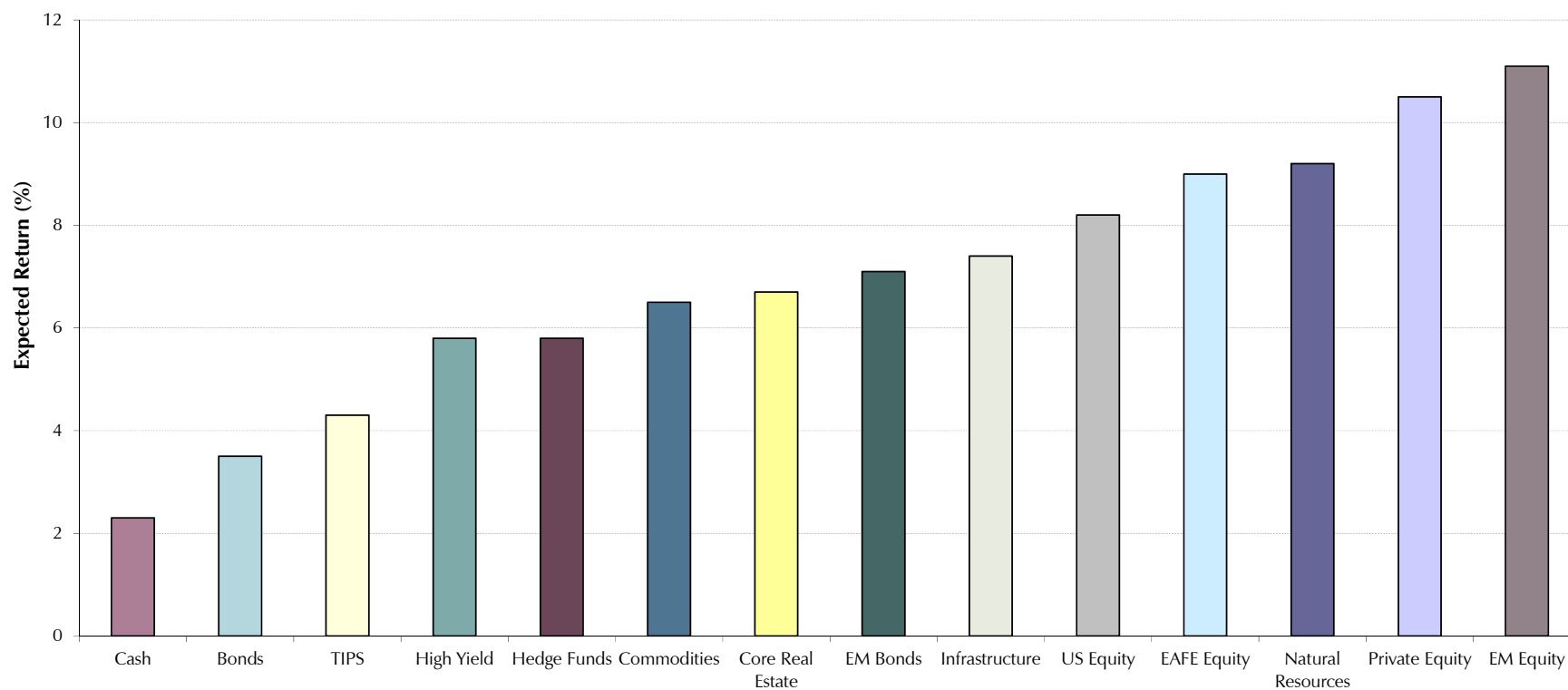
<sup>1</sup> Source: NCREIF, U.S. Treasury. NPI transactional capitalization rates are calculated on a quarterly basis. The January 31, 2014 NCREIF NPI data is not yet available. Data is as of January 31, 2014, for the NCREIF NPI and January 31, 2014, for the ten-year Treasury.

<sup>2</sup> An astute observer may notice that 6.3% - 2.7% = 3.6% (not 3.7%) this difference is due to rounding error.

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

- REIT yield spreads were 1.3% at the end of January. As the recovery in the real estate market continues, this spread is trending closer to its long term average.
- 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 January 31, 2014.

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

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

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

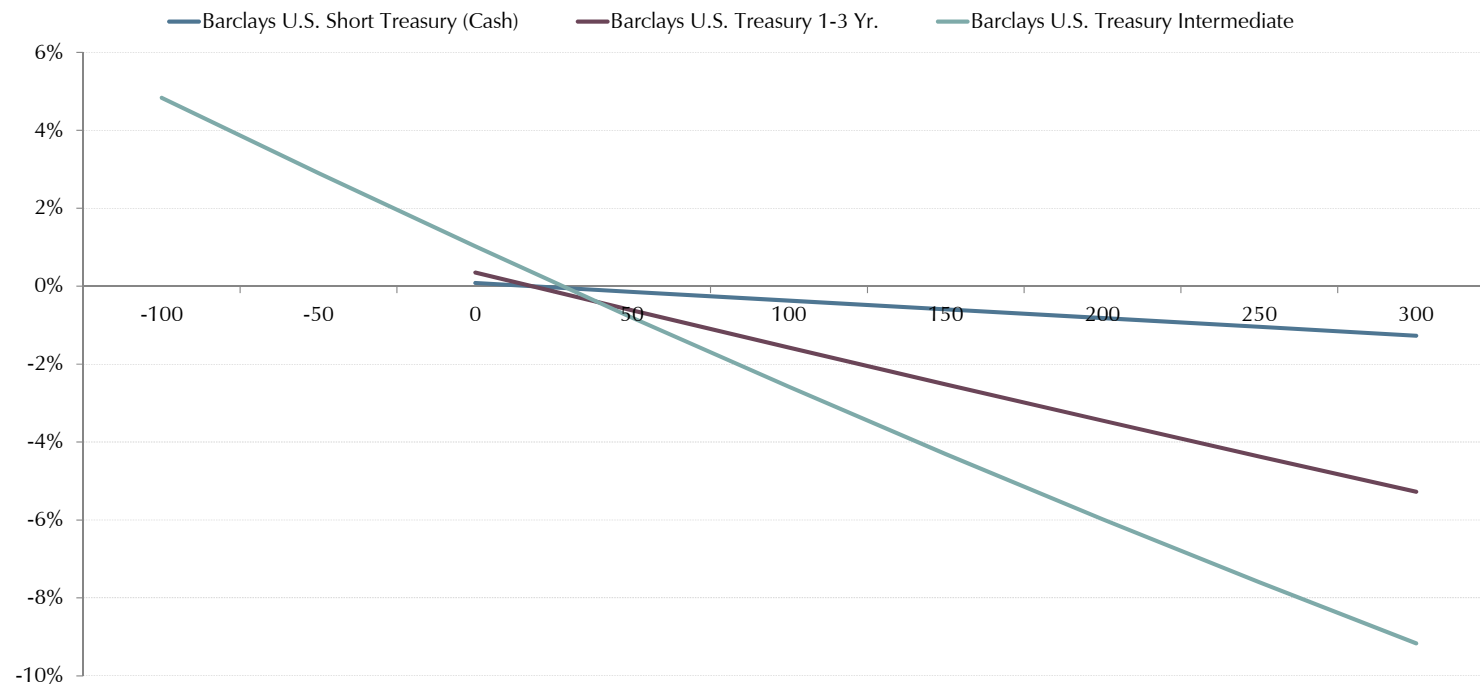
### Total Return Comparison of Barclays U.S. Aggregate Minus Barclays U.S. TIPS<sup>1</sup>

		Changes In Rates (bps)				
		-100	-50	0	50	100
Inflation Rate Scenarios	4.0%	-3.85%	-2.90%	-2.22%	-1.78%	-1.61%
	3.0%	-2.85%	-1.90%	-1.22%	-0.78%	-0.61%
	2.0%	-1.85%	-0.90%	-0.22%	0.22%	0.39%
	1.0%	-0.85%	0.10%	0.79%	1.22%	1.39%
	0.0%	0.15%	1.10%	1.79%	2.22%	2.39%

### 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	-3.29%	0.98%	1.85%	2.23%	2.51%
Barclays U.S. Treasury U.S. TIPS	-3.68%	0.95%	1.90%	2.32%	2.62%

<sup>1</sup> Data is as of January 31, 2014 via Barclays, Bloomberg, and Thomson Reuters.

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

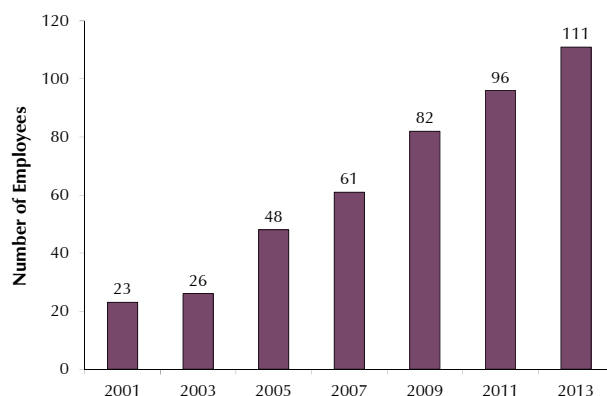
	Total Return for Given Changes in Interest Rates (bps)									Statistics	
	-100	-50	0	50	100	150	200	250	300	Duration	YTW
Barclays U.S. Short Treasury (Cash)			0.1%	-0.1%	-0.4%	-0.6%	-0.8%	-1.0%	-1.3%	0.45	0.08%
Barclays U.S. Treasury 1-3 Yr.			0.4%	-0.6%	-1.6%	-2.5%	-3.5%	-4.4%	-5.3%	1.95	0.35%
Barclays U.S. Treasury Intermediate	4.8%	2.9%	1.0%	-0.8%	-2.6%	-4.3%	-6.0%	-7.6%	-9.2%	3.71	1.02%
Barclays U.S. Treasury Long	21.8%	12.2%	3.5%	-4.2%	-11.0%	-16.9%	-21.9%	-25.9%	-29.0%	16.43	3.52%

<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 January 31, 2014 via Barclays and Thomson Reuters.

## **Meketa Investment Group Corporate Update**

- Staff of 111, including 67 investment professionals and 24 CFA Charterholders
- 92 clients, with over 175 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Miami, and San Diego
- Clients have aggregate assets of over \$600 billion
  - Over \$20 billion in assets committed to alternative investments
    - Private Equity      ▪ Infrastructure      ▪ Natural Resources
    - Real Estate        ▪ Hedge Funds        ▪ Commodities

### Employee Growth



### Client Growth



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



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

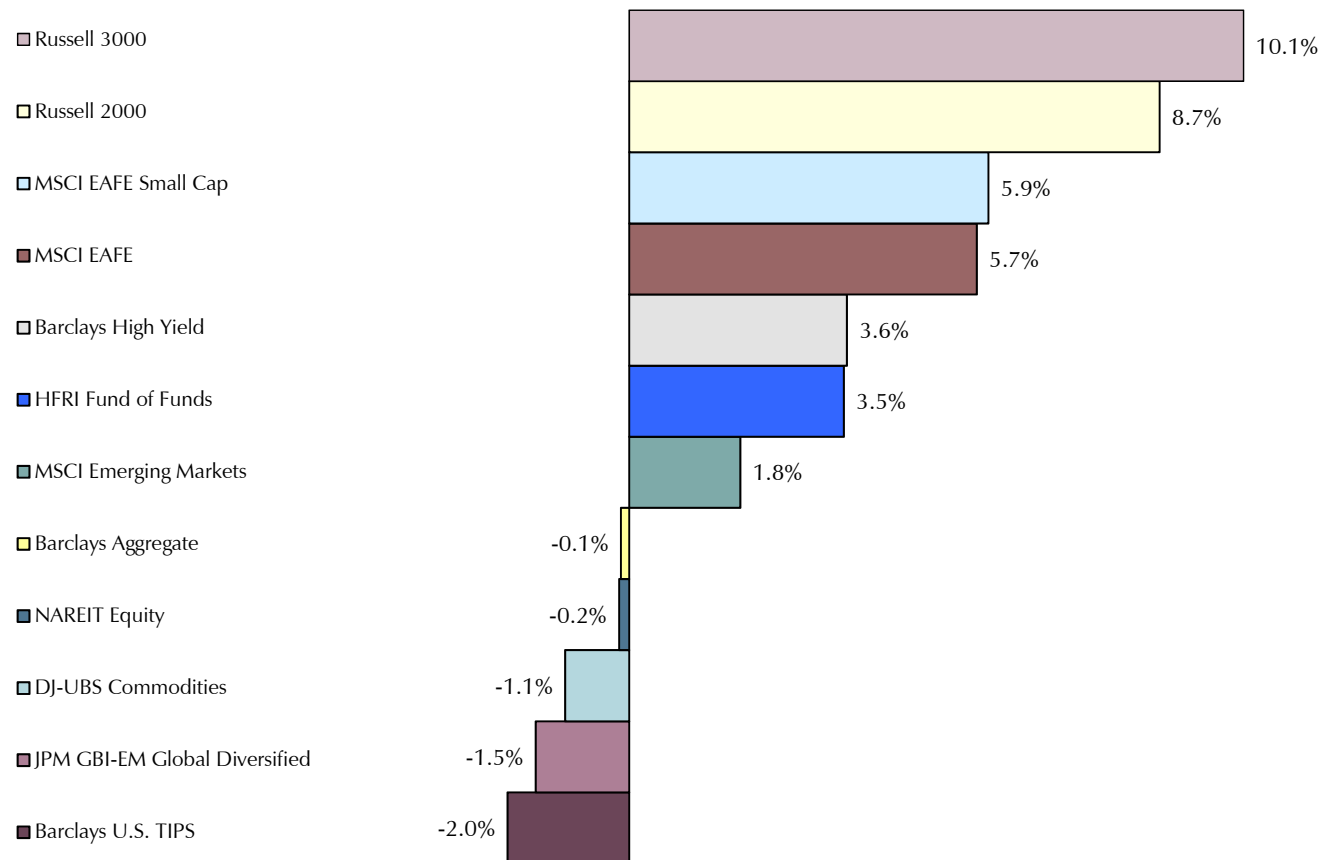
Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
<ul style="list-style-type: none"> <li>- Passive</li> <li>- Enhanced Index</li> <li>- Large Cap</li> <li>- Midcap</li> <li>- Small Cap</li> <li>- Microcap</li> <li>- 130/30</li> </ul>	<ul style="list-style-type: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



## Appendices

## The World Markets Fourth Quarter of 2013

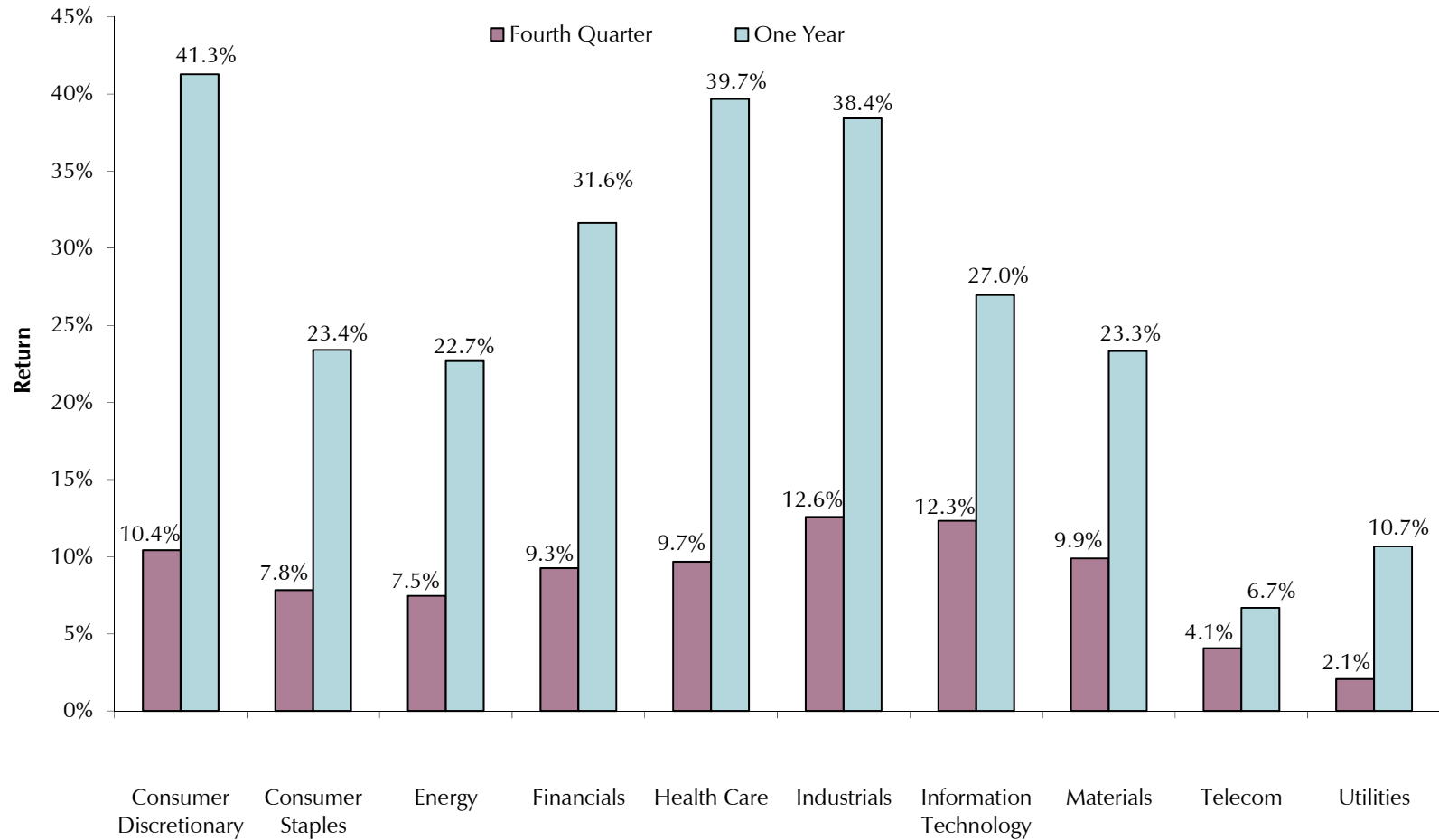
The World Markets  
Fourth Quarter of 2013



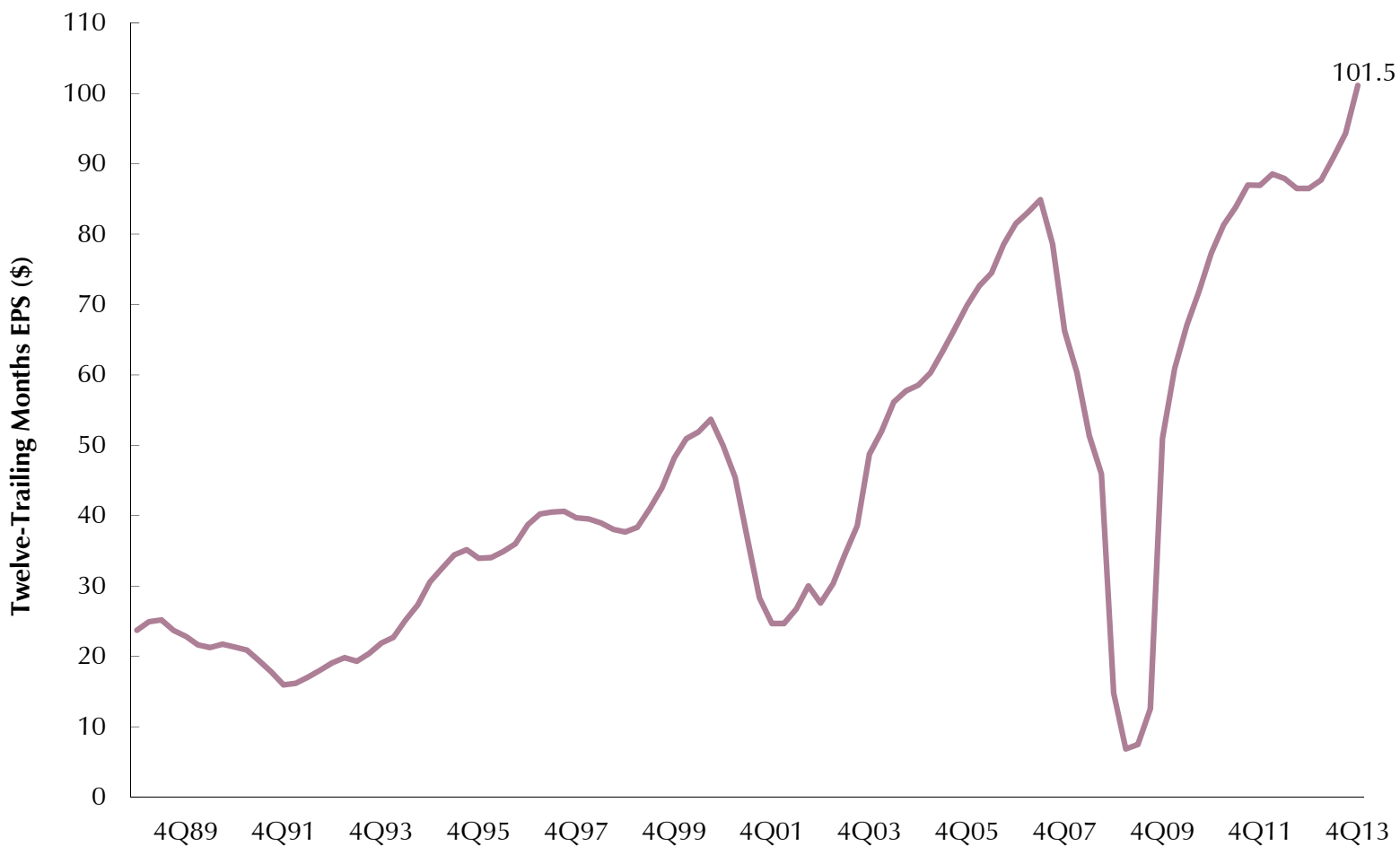
## Index Returns

	4Q13 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
Russell 3000	10.1	33.6	16.2	18.7	7.9
Russell 1000	10.2	33.1	16.3	18.6	7.8
Russell 1000 Growth	10.4	33.5	16.5	20.4	7.8
Russell 1000 Value	10.0	32.5	16.1	16.7	7.6
Russell MidCap	8.4	34.8	15.9	22.4	10.2
Russell MidCap Growth	8.2	35.7	15.6	23.4	9.8
Russell MidCap Value	8.6	33.5	16.0	21.2	10.3
Russell 2000	8.7	38.8	15.7	20.1	9.1
Russell 2000 Growth	8.2	43.3	16.8	22.6	9.4
Russell 2000 Value	9.3	34.5	14.5	17.6	8.6
<b>Foreign Equity</b>					
MSCI ACWI (ex. U.S.)	4.8	15.3	5.1	12.8	7.6
MSCI EAFE	5.7	22.8	8.2	12.4	6.9
MSCI EAFE (local currency)	6.4	26.9	9.4	11.3	6.0
MSCI EAFE Small Cap	5.9	29.3	9.3	18.5	9.5
MSCI Emerging Markets	1.8	-2.6	-2.1	14.8	11.2
MSCI Emerging Markets (local currency)	3.0	3.4	1.8	14.4	11.0
<b>Fixed Income</b>					
Barclays Universal	0.2	-1.3	3.8	5.4	4.9
Barclays Aggregate	-0.1	-2.0	3.3	4.4	4.5
Barclays U.S. TIPS	-2.0	-8.6	3.5	5.6	4.8
Barclays High Yield	3.6	7.4	9.3	18.9	8.6
JPMorgan GBI-EM Global Diversified (unhedged)	-1.5	-9.0	1.5	8.1	9.5
<b>Other</b>					
NAREIT Equity	-0.2	2.9	10.1	16.9	8.6
DJ-UBS Commodities	-1.1	-9.5	-8.2	1.4	-0.3
HFRI Fund of Funds	3.5	8.8	2.4	4.8	3.4

### S&P Sector Returns

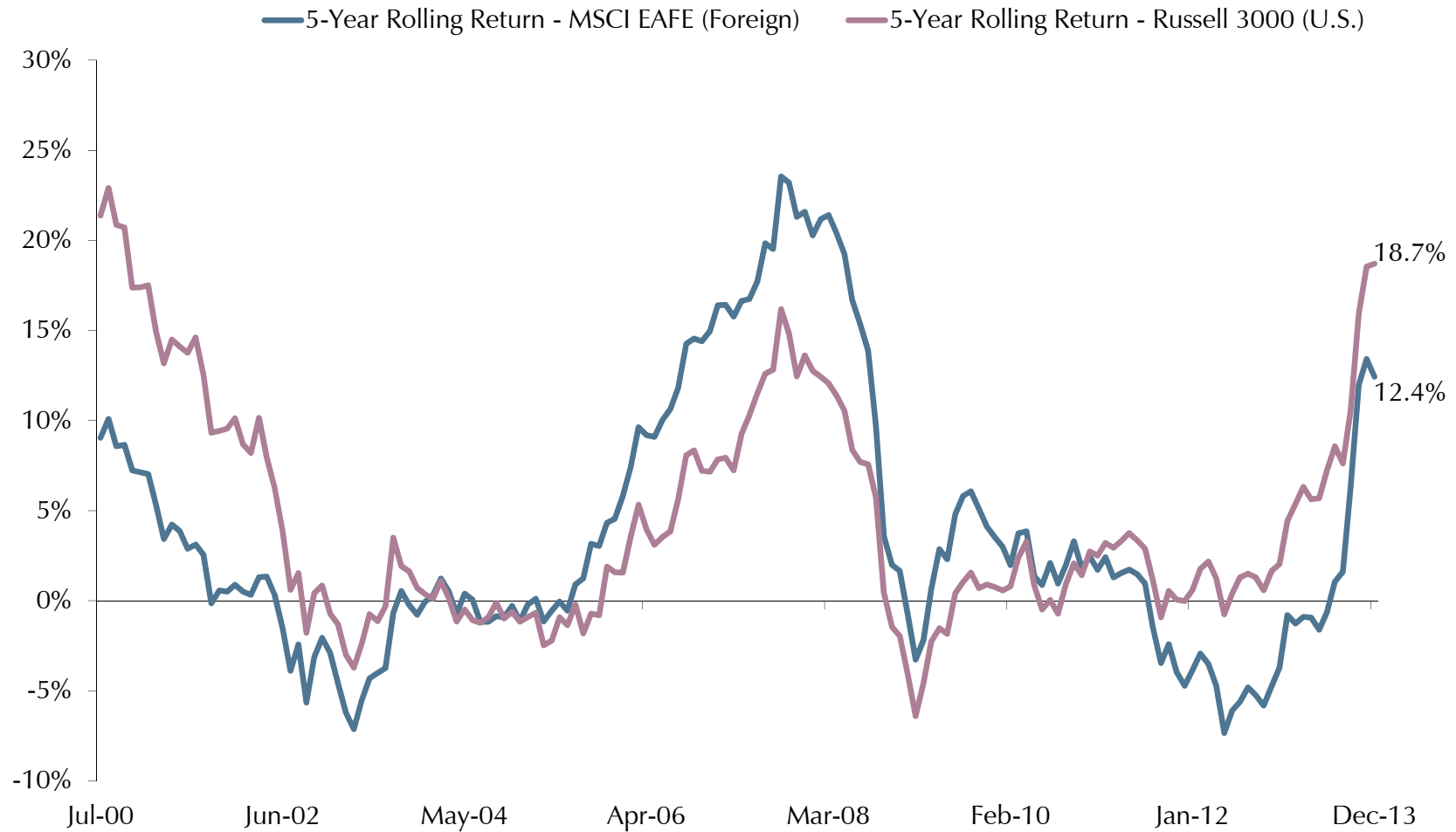


### S&P 500 Earnings Per Share<sup>1</sup>

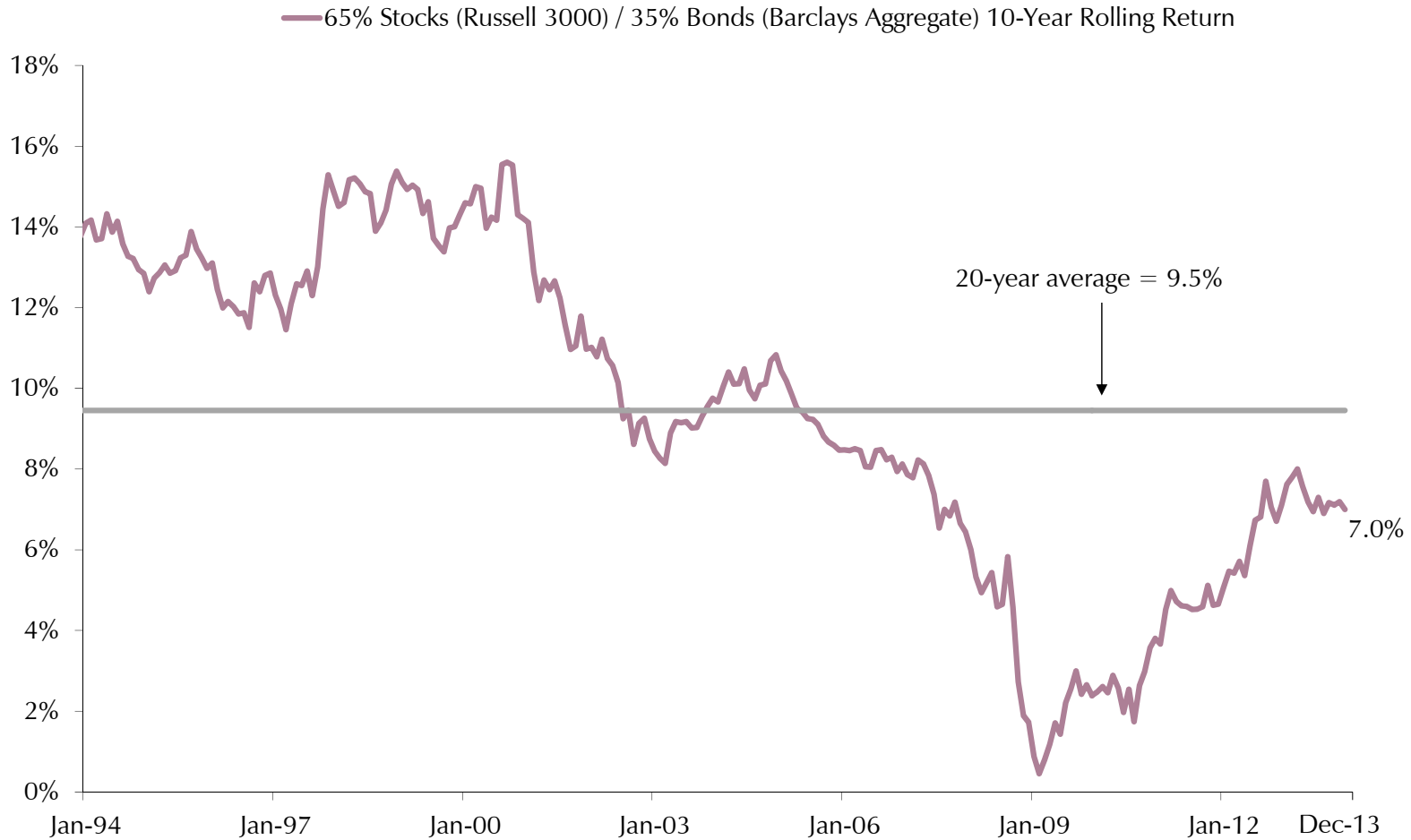


<sup>1</sup> The December 31, 2013 number is based on the approximately 89% of S&P 500 companies that reported earnings to date.

### Equity Markets

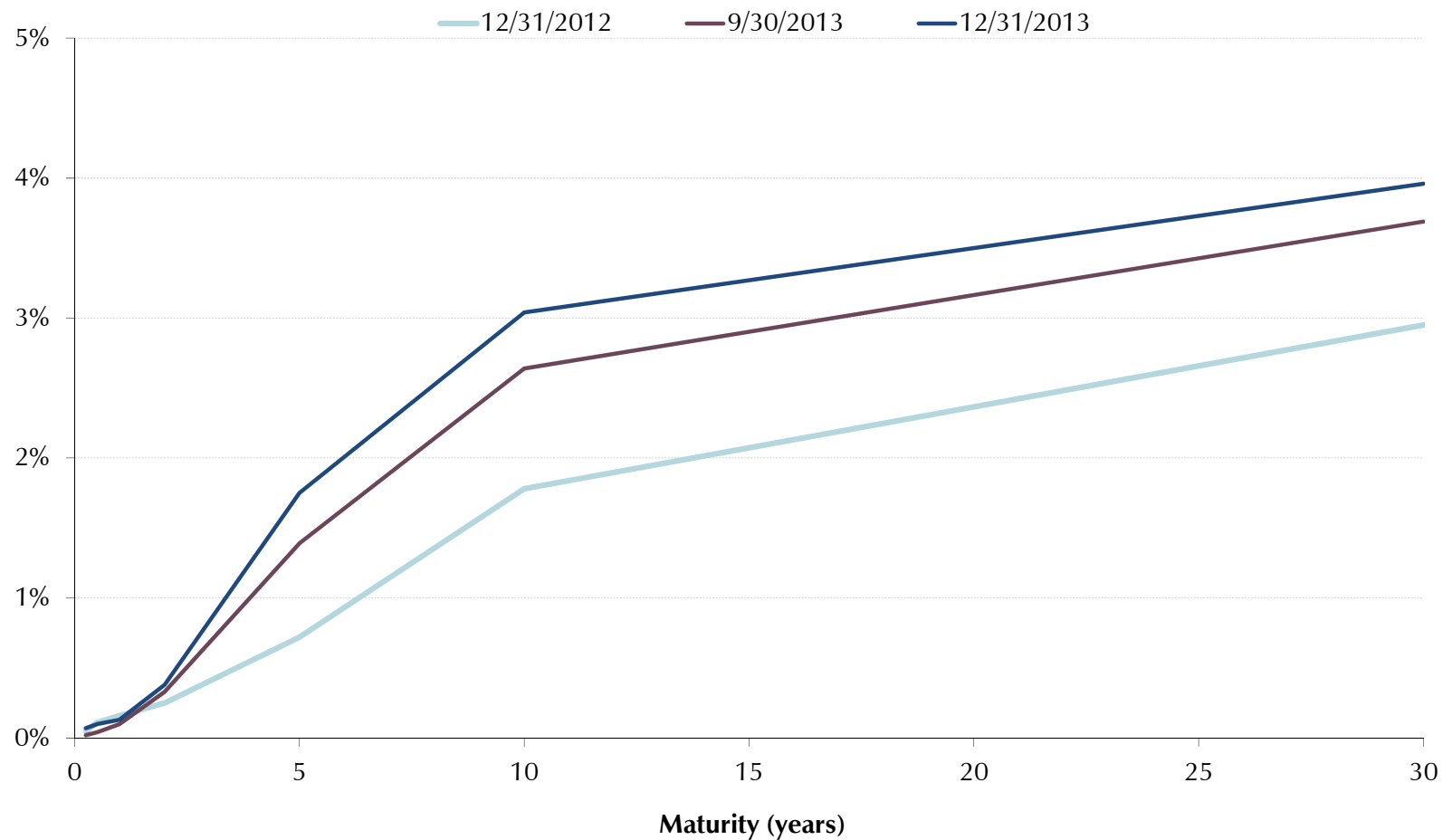


### Rolling Ten-Year Returns: 65% Stocks and 35% Bonds

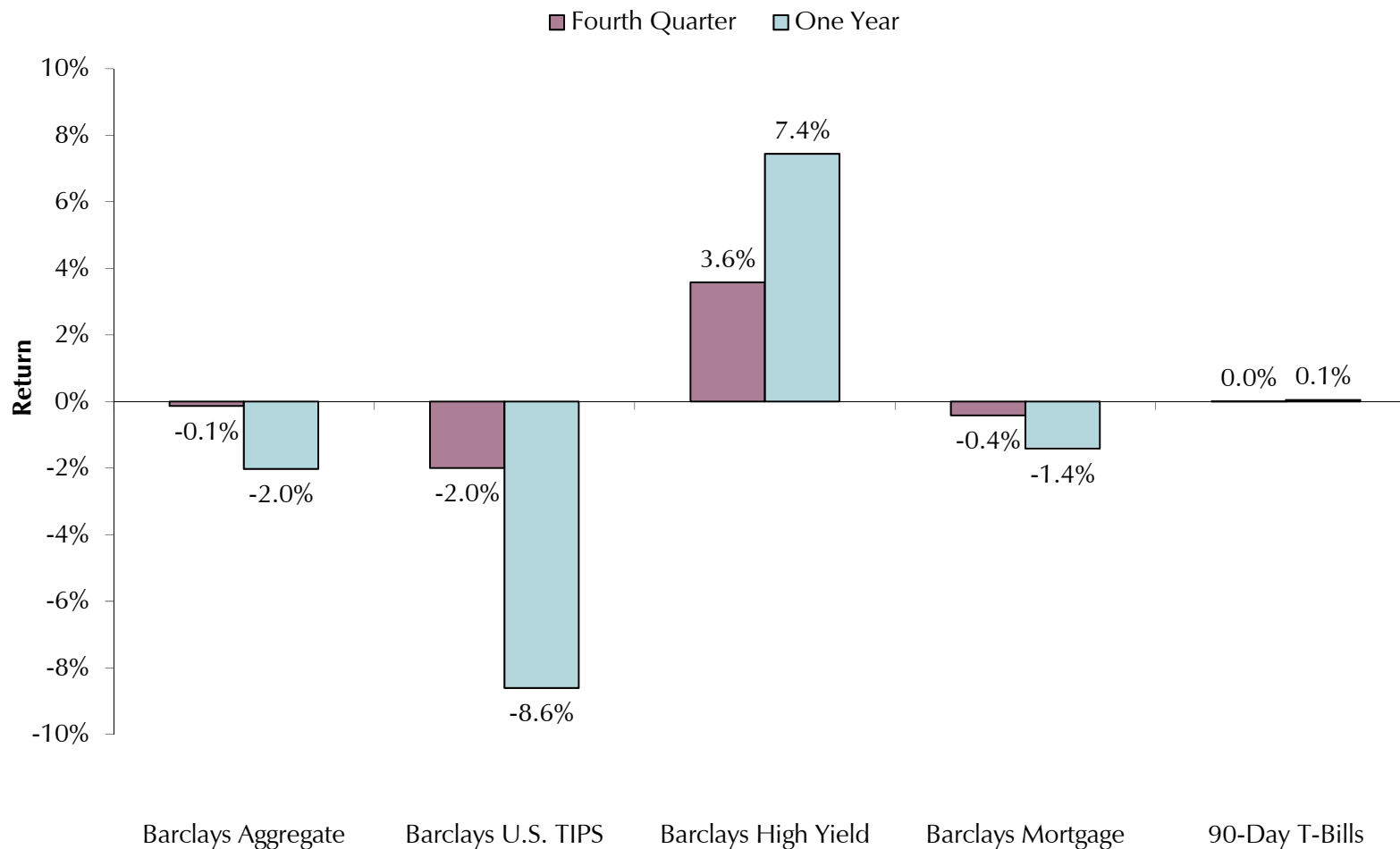




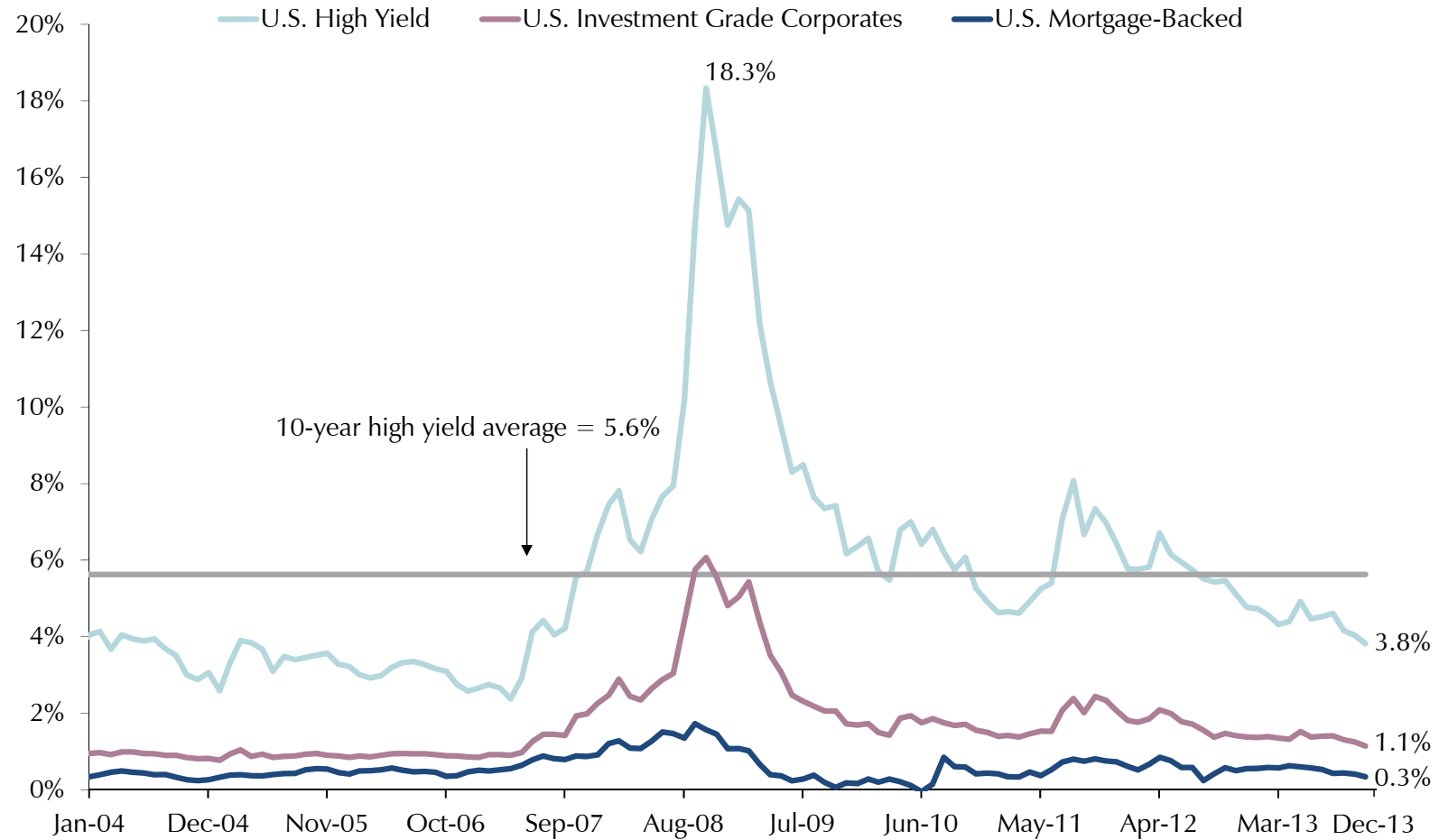
Treasury Yields



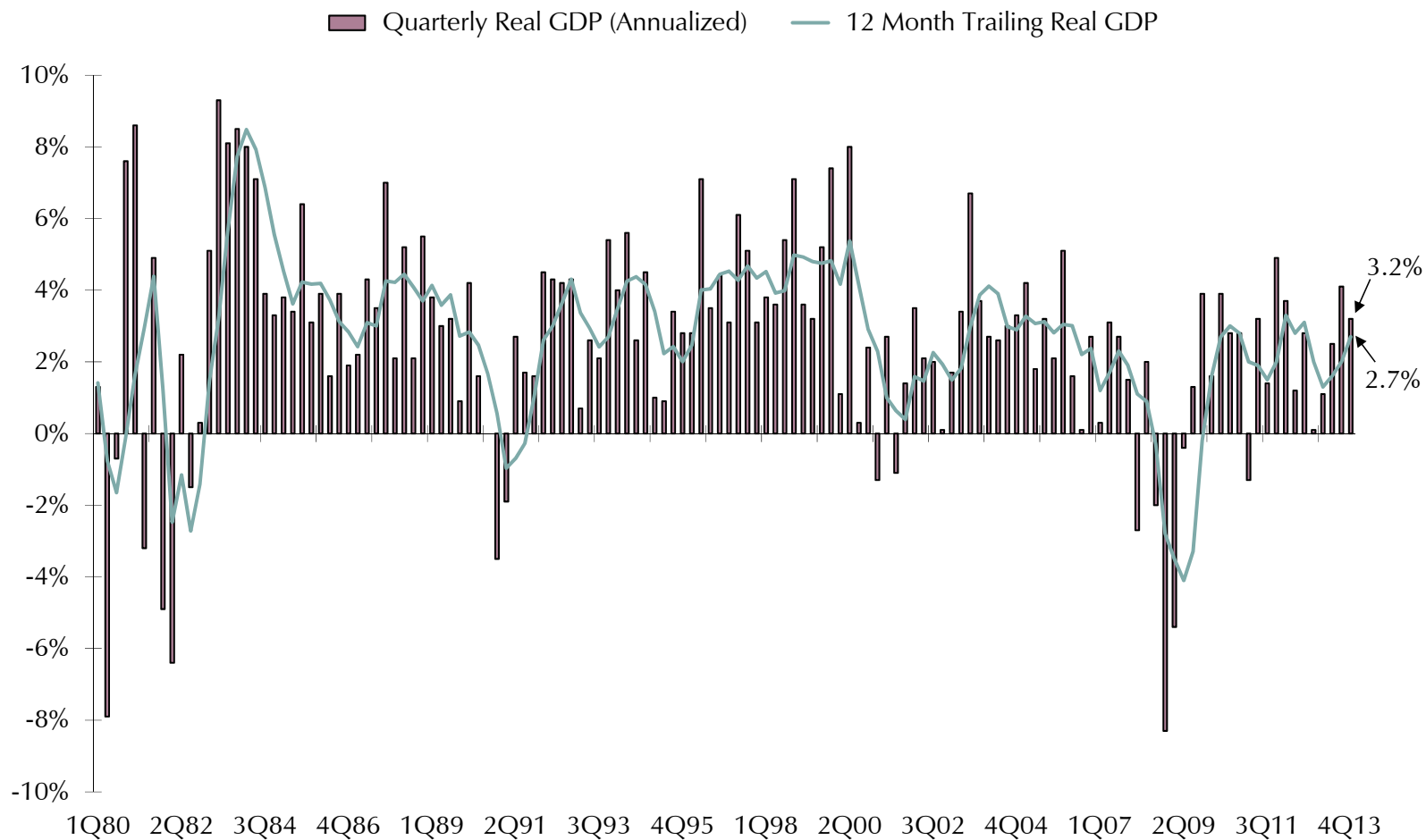
### U.S. Fixed Income Markets



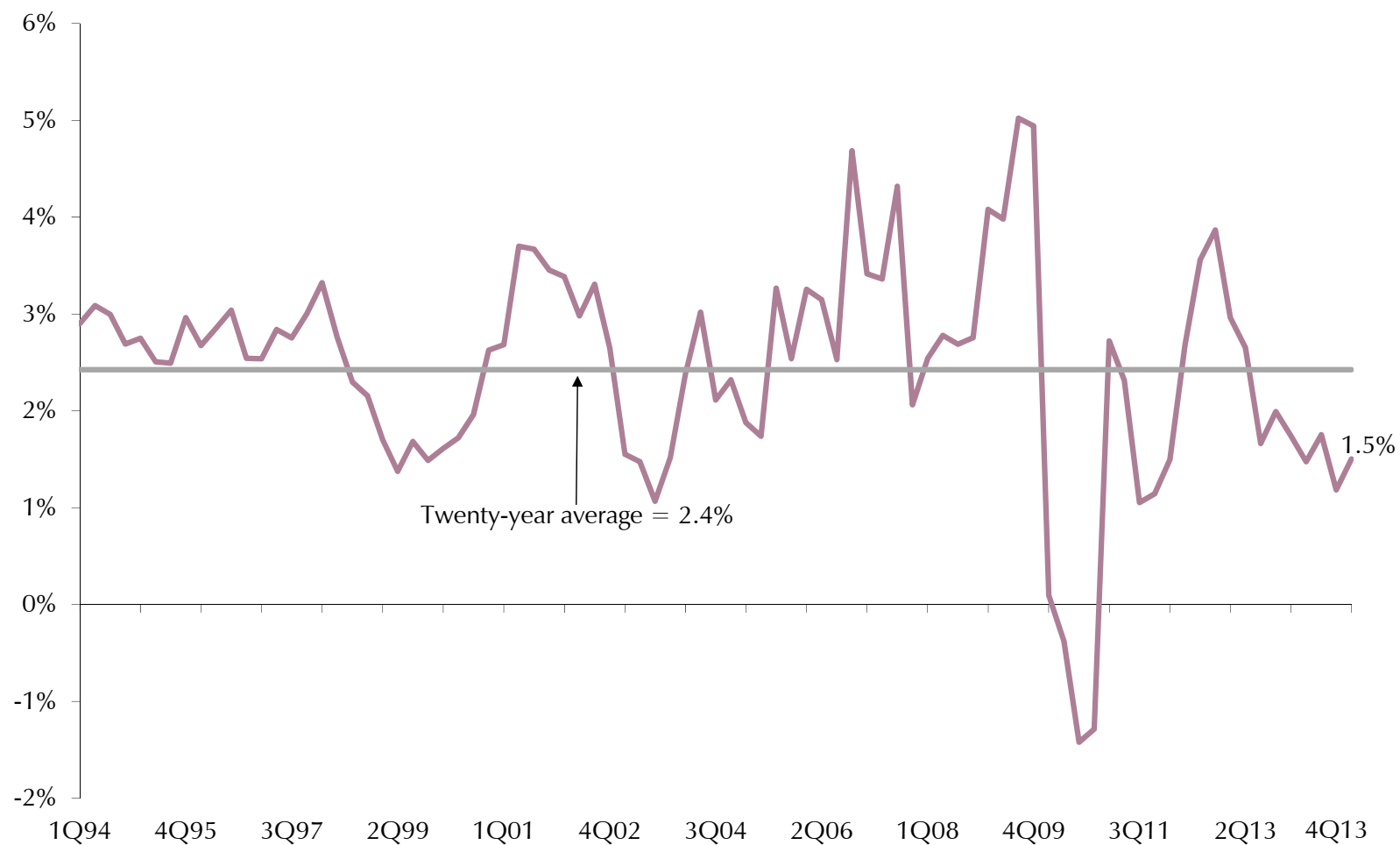
### Credit Spreads vs. U.S. Treasury Bonds



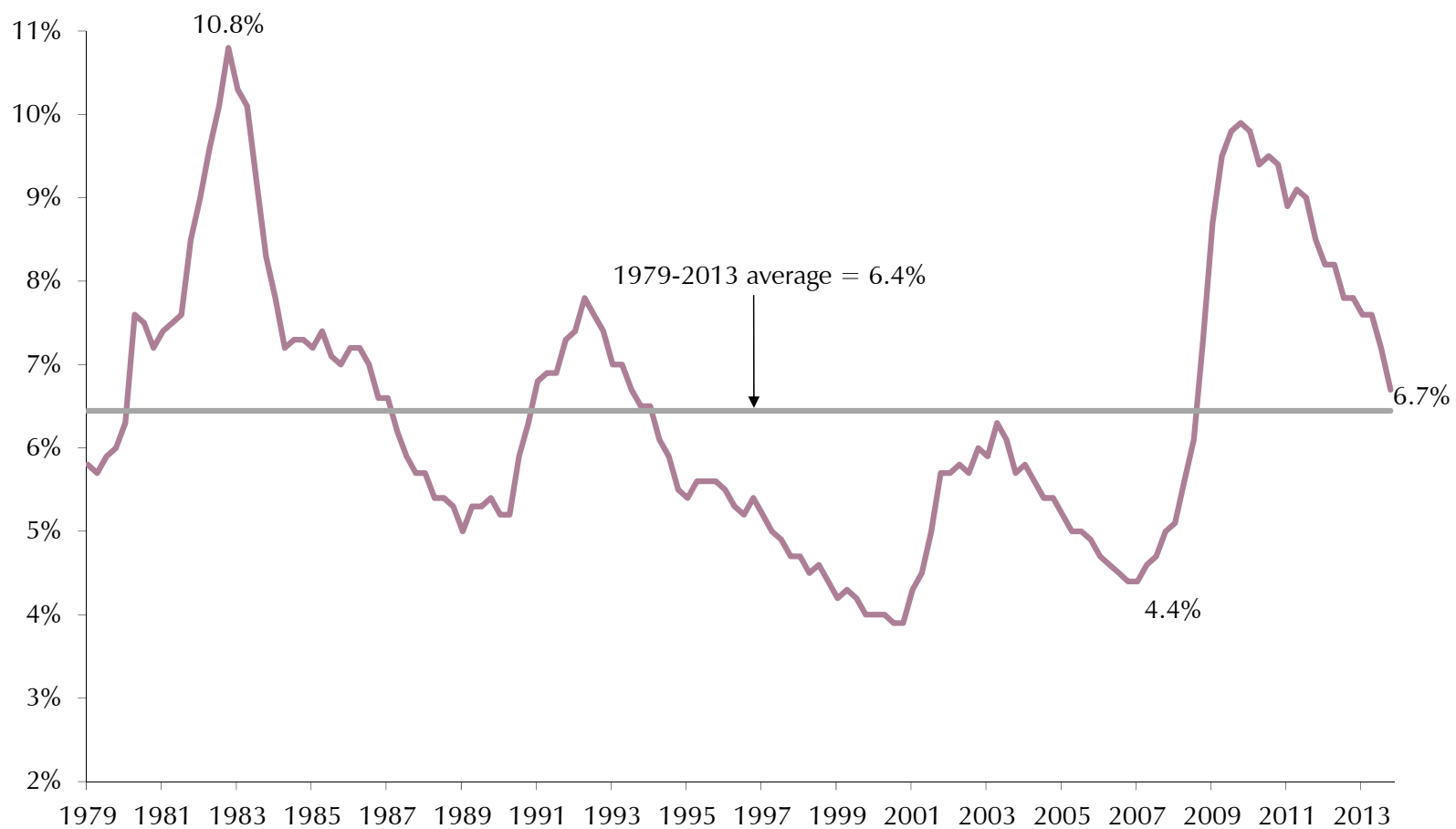
### Real Gross Domestic Product (GDP) Growth



**U.S. Inflation (CPI)  
Trailing Twelve Months**



### U.S. Unemployment



## Glossary and Notes As of December 31, 2013

**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.