

# FUND EVALUATION REPORT

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

Quarterly Review  
December 31, 2017



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MASSACHUSETTS

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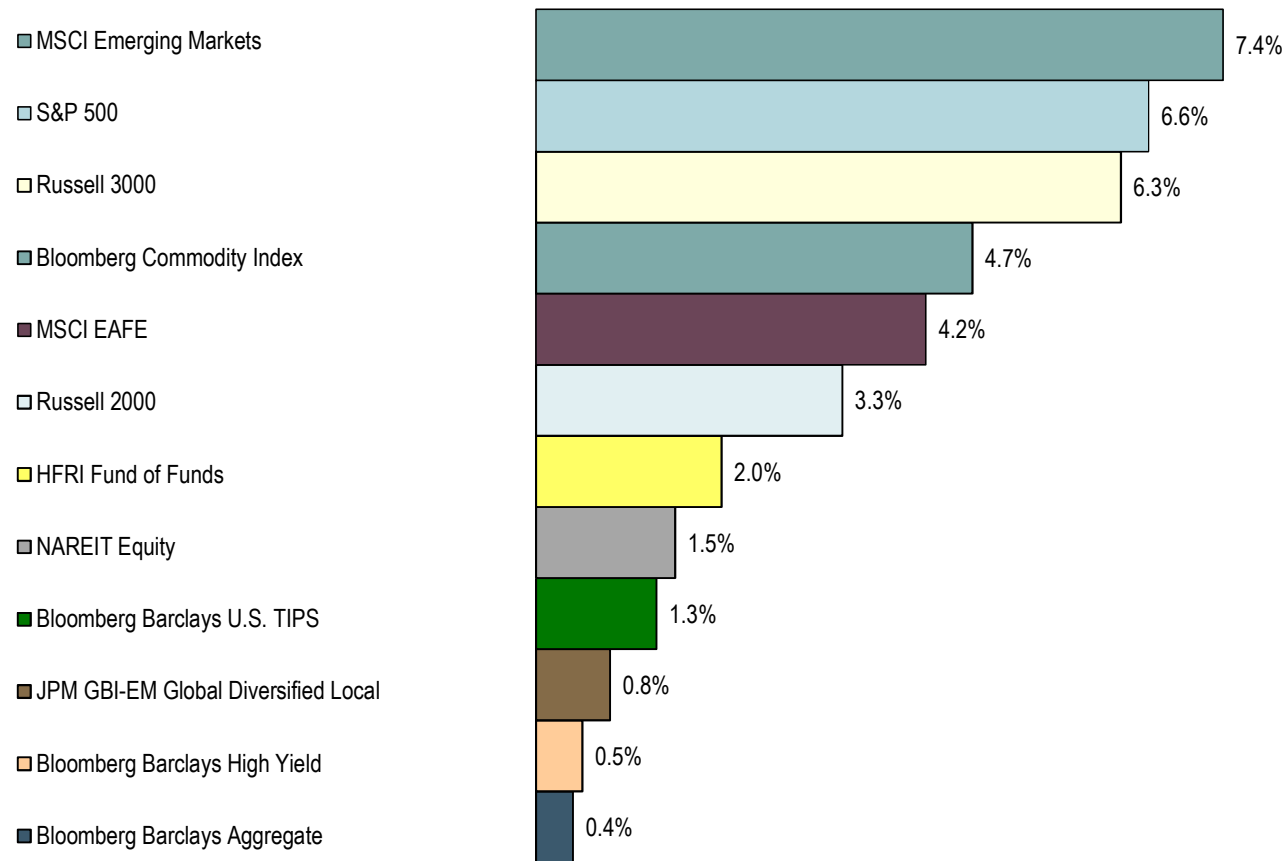
Data is provided for informational purposes only, may not be complete, and cannot be relied upon for any purpose other than for discussion.

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

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## **The World Markets Fourth Quarter of 2017**

## The World Markets<sup>1</sup> Fourth Quarter of 2017



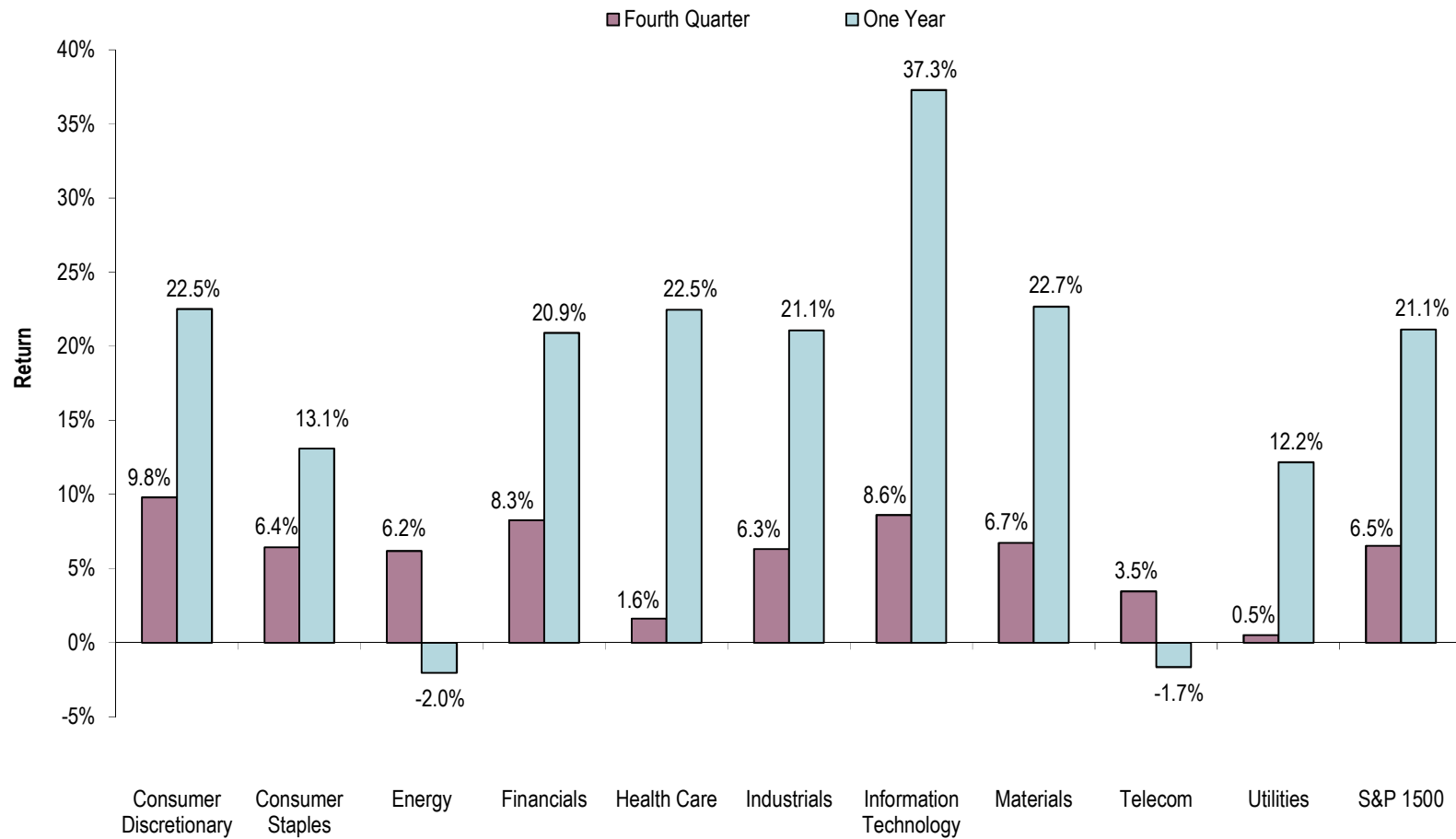
<sup>1</sup> Source: InvestorForce.

Index Returns<sup>1</sup>

	4Q17 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
Russell 3000	6.3	21.1	11.1	15.6	8.6
Russell 1000	6.6	21.7	11.2	15.7	8.6
Russell 1000 Growth	7.9	30.2	13.8	17.3	10.0
Russell 1000 Value	5.3	13.7	8.7	14.0	7.1
Russell MidCap	6.1	18.5	9.6	15.0	9.1
Russell MidCap Growth	6.8	25.3	10.3	15.3	9.1
Russell MidCap Value	5.5	13.3	9.0	14.7	9.1
Russell 2000	3.3	14.6	10.0	14.1	8.7
Russell 2000 Growth	4.6	22.2	10.3	15.2	9.2
Russell 2000 Value	2.0	7.8	9.5	13.0	8.2
<b>Foreign Equity</b>					
MSCI ACWI (ex. U.S.)	5.0	27.2	7.8	6.8	1.8
MSCI EAFE	4.2	25.0	7.8	7.9	1.9
MSCI EAFE (Local Currency)	3.7	15.2	8.5	11.4	3.3
MSCI EAFE Small Cap	6.1	33.0	14.2	12.9	5.8
MSCI Emerging Markets	7.4	37.3	9.1	4.3	1.7
MSCI Emerging Markets (Local Currency)	5.7	30.6	10.5	8.0	4.1
<b>Fixed Income</b>					
Bloomberg Barclays Universal	0.4	4.1	2.8	2.5	4.3
Bloomberg Barclays Aggregate	0.4	3.5	2.2	2.1	4.0
Bloomberg Barclays U.S. TIPS	1.3	3.0	2.0	0.1	3.5
Bloomberg Barclays High Yield	0.5	7.5	6.4	5.8	8.0
JPM GBI-EM Global Diversified (Local Currency)	0.8	8.9	7.1	5.8	8.3
<b>Other</b>					
NAREIT Equity	1.5	5.2	5.6	9.5	7.4
Bloomberg Commodity Index	4.7	1.7	-5.0	-8.5	-6.8
HFRI Fund of Funds	2.0	7.7	2.6	4.0	1.1

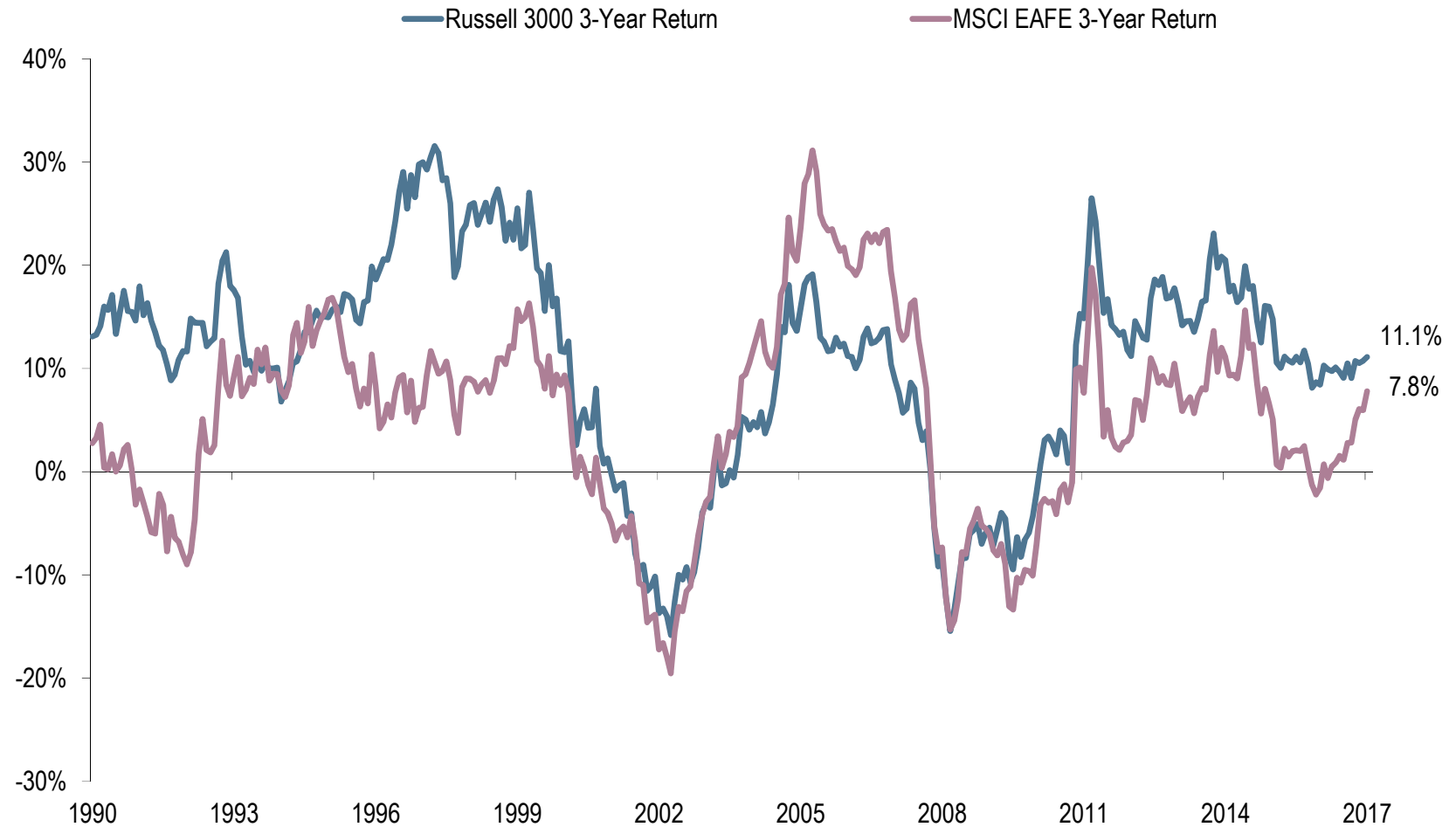
<sup>1</sup> Source: InvestorForce.

## S&P Sector Returns<sup>1</sup>



<sup>1</sup> Source: InvestorForce. Represents S&P 1500 (All Cap) data.

## U.S. and Developed Market Foreign Equity Rolling Three-Year Returns<sup>1</sup>

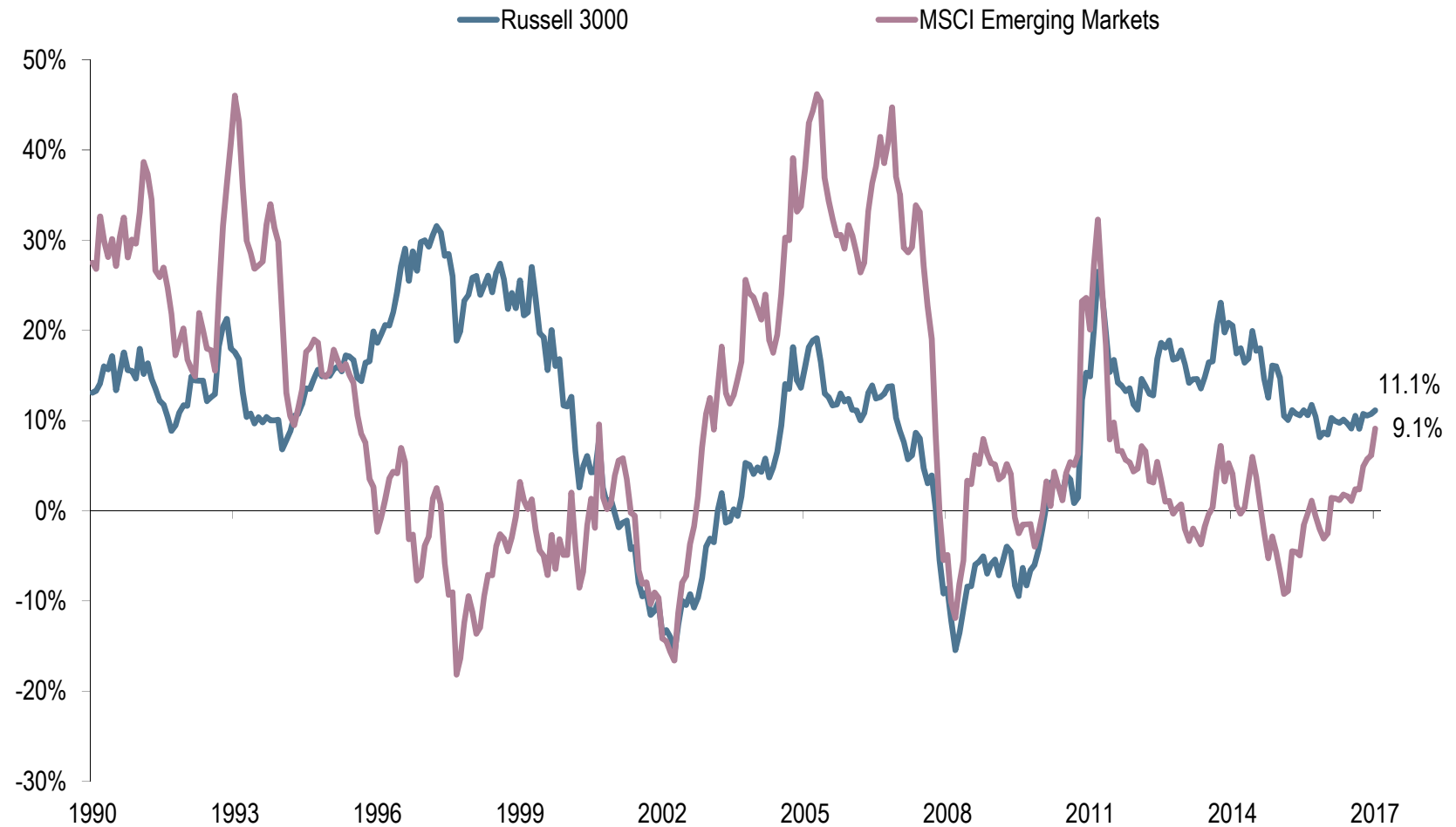


<sup>1</sup> Source: InvestorForce.





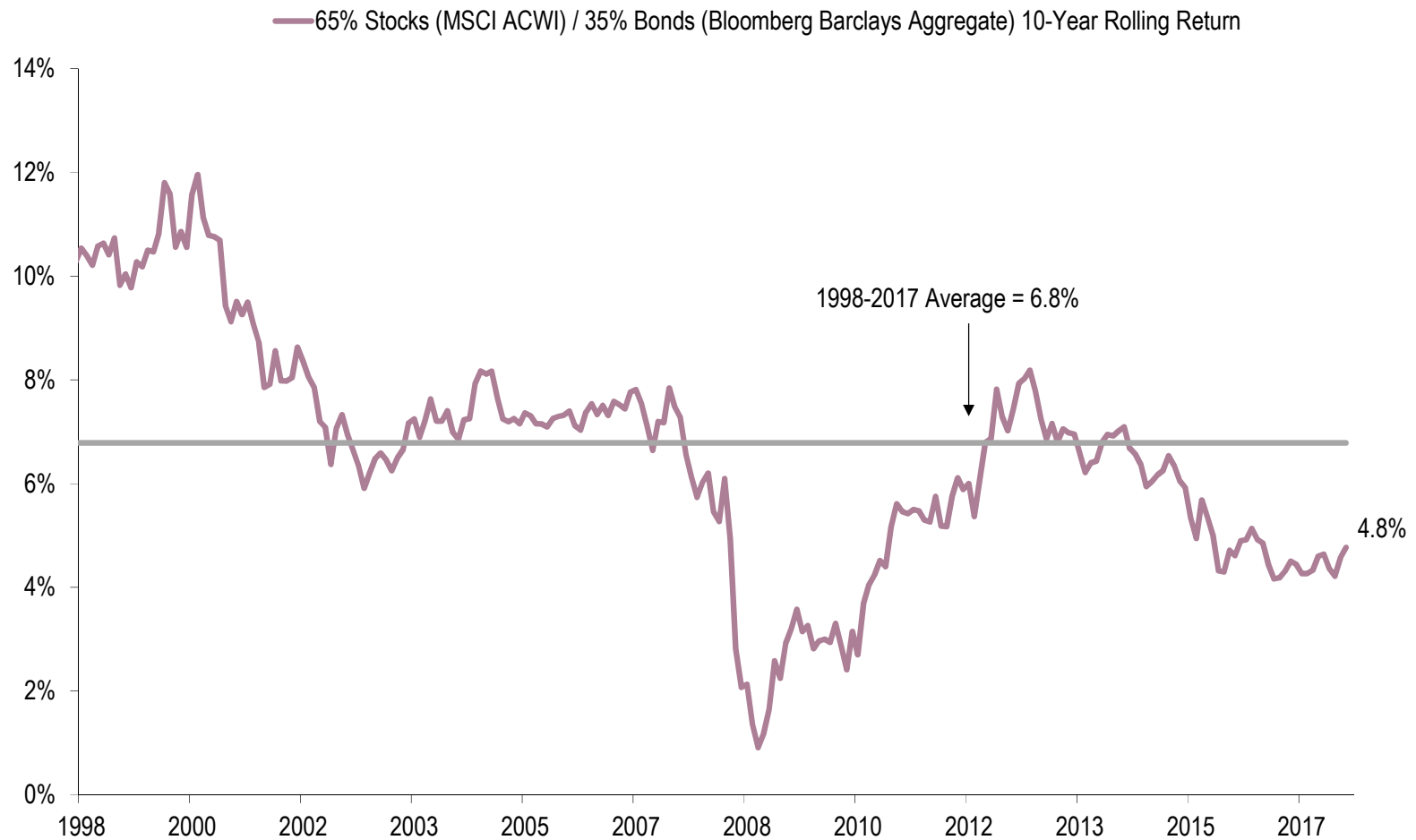
## U.S. and Emerging Market Equity Rolling Three-Year Returns<sup>1</sup>



<sup>1</sup> Source: InvestorForce.



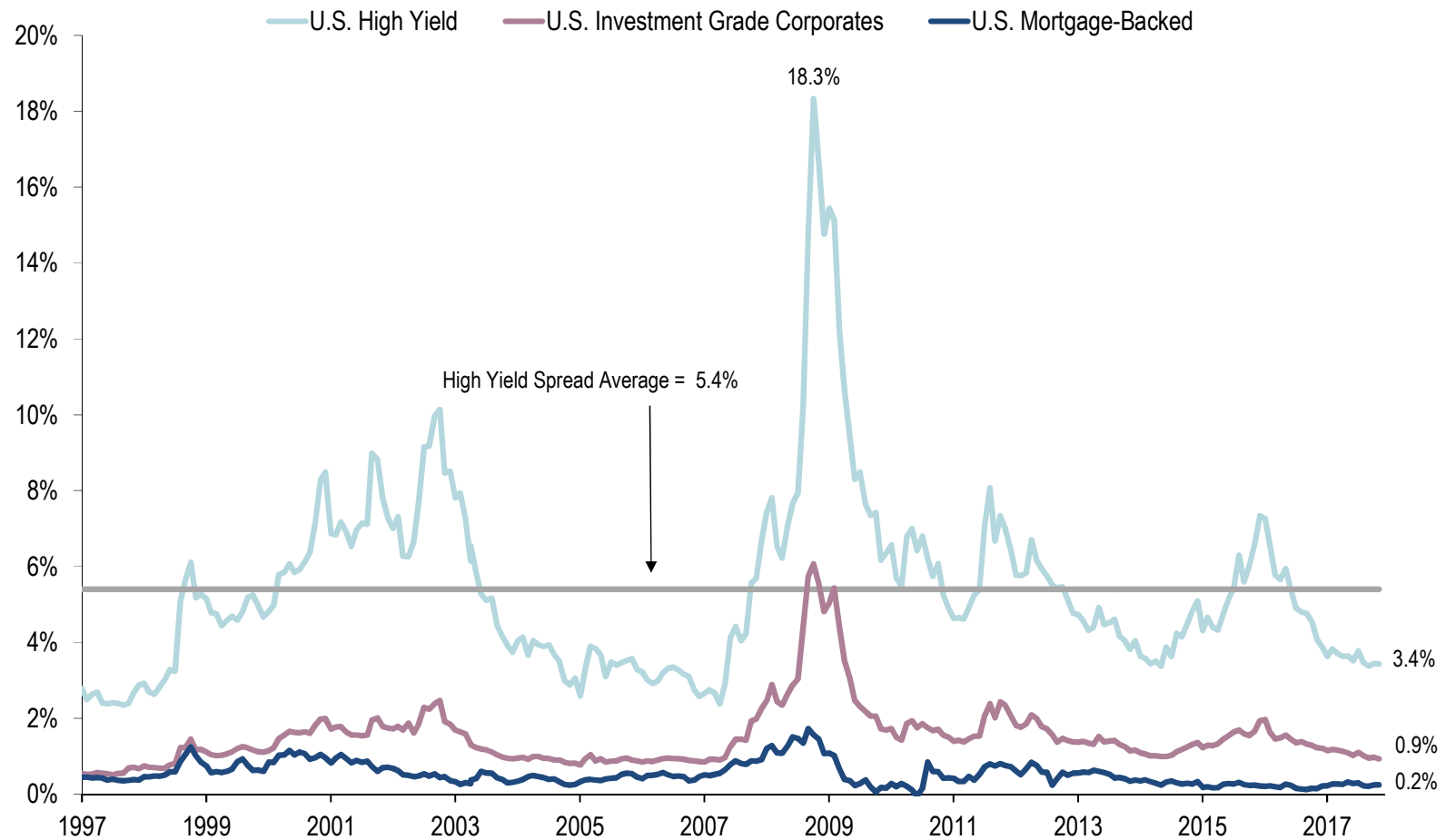
## Rolling Ten-Year Returns: 65% Stocks and 35% Bonds<sup>1</sup>



<sup>1</sup> Source: InvestorForce.



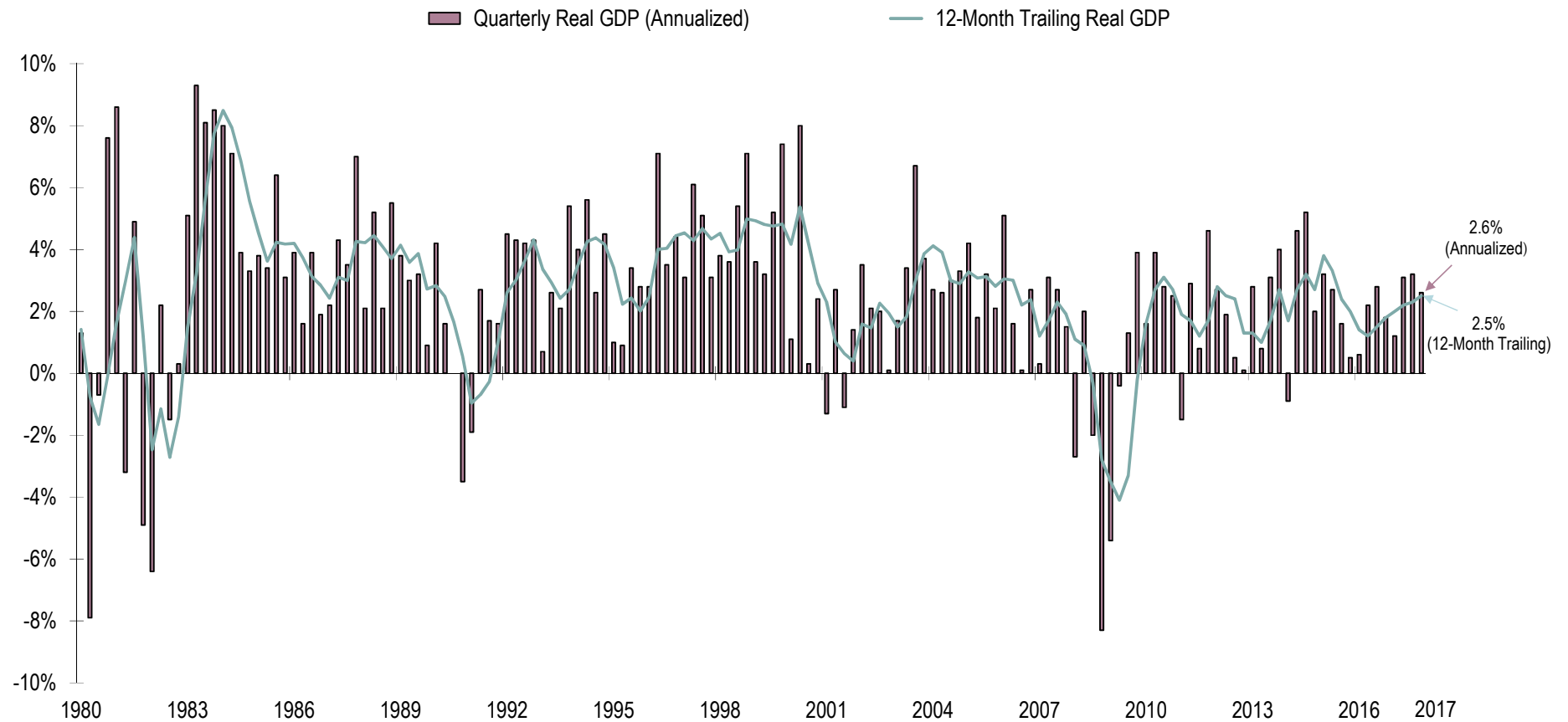
## Credit Spreads vs. U.S. Treasury Bonds<sup>1,2</sup>



<sup>1</sup> Source: Barclays Live.

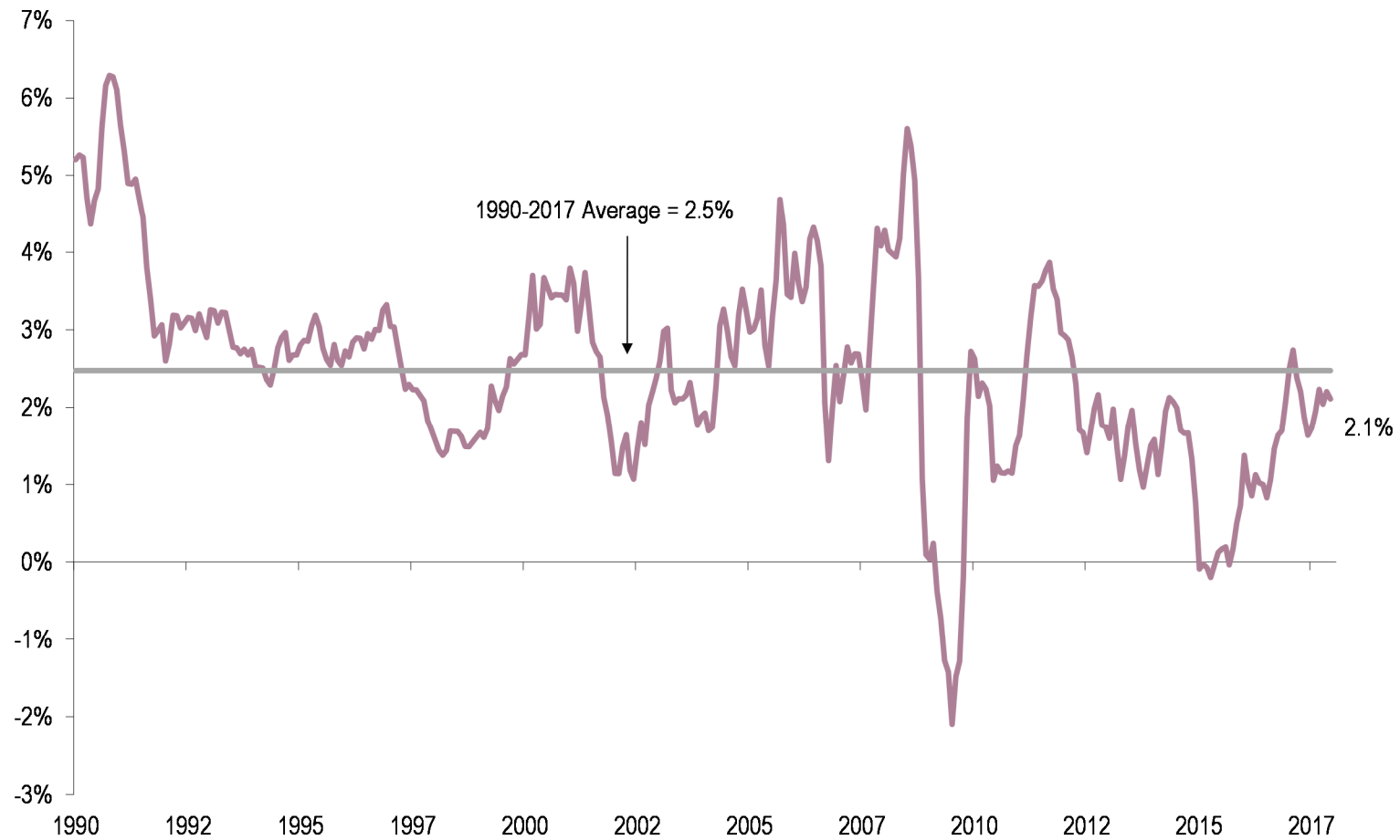
<sup>2</sup> The median high yield spread was 5.0% from 1997-2017.

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



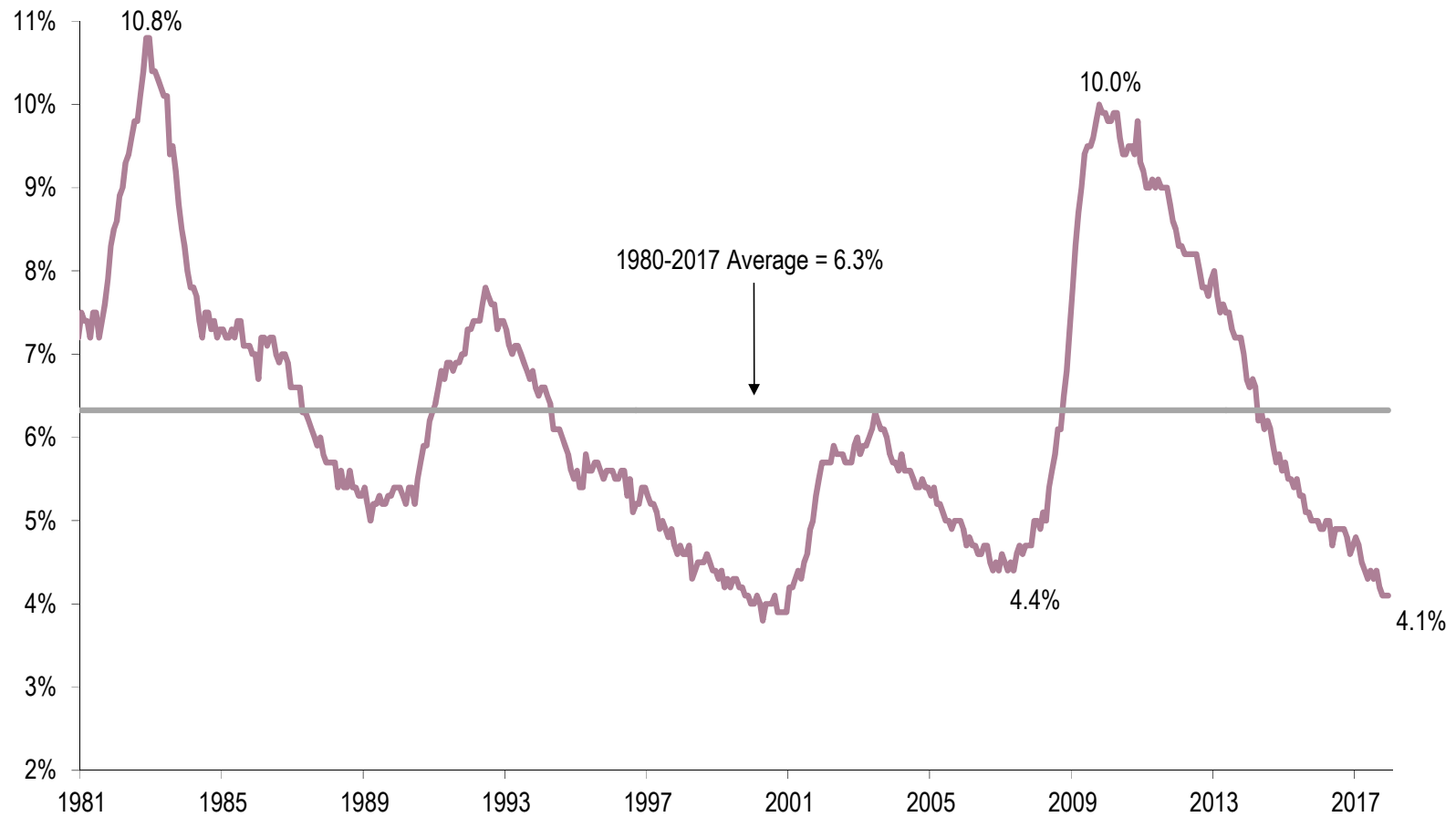
<sup>1</sup> Source: Bureau of Economic Analysis. Fourth quarter GDP data represents the first estimate.

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



<sup>1</sup> Source: Bureau of Labor Statistics. Data is non-seasonally adjusted CPI, which may be volatile in the short-term. Data is as of December 31, 2017.

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



<sup>1</sup> Source: Bureau of Labor Statistics. Data is as of December 31, 2017.

## **Executive Summary**

### **As of December 31, 2017**

**The value of the City of San Jose Police and Fire Department Retirement Plan – Health Care Trust’s assets was \$127.2 million on December 31, 2017, an increase of \$3.6 million from the end of the prior quarter. The Trust had \$0.5 million in net cash inflows for the quarter.**

- The Health Care Trust’s net of fees performance was +2.5% for the quarter, underperforming the Policy Benchmark of +3.8% and in-line with the Allocation index return of +2.5%. Over the one-year period the Trust returned +10.4%.
- The Health Care Trust’s Total Global Fixed Income allocation ended the quarter just outside of its target range (26.5% vs. target range of 5.0 – 25.0%) and the Cash allocation ended the quarter outside of its target range (14.5% vs. target range of 0.0 – 5.0%).
- All broad asset classes were positive for the quarter and one-year periods.
  - Global Equity returned +5.6% for the quarter and +24.2% over the one-year period, slightly underperforming the MSCI ACWI IMI’s quarterly return of +5.7% for the quarter and outperforming by 30 basis points over the one-year period.
  - Global Fixed Income returned +0.4% for the quarter and +3.7% over the one-year period, in-line with the BBgBarc US Aggregate quarterly return of +0.4% and slightly outperforming over the one-year period (+3.5%)
  - Real Assets returned +2.8% for the quarter and +6.9% over the one-year period, outperforming the Real Assets Custom Benchmark returns of +2.7% and +6.1%, respectively. For the quarter, Credit Suisse (+4.4%) underperformed the Bloomberg Commodities Index (+4.7%), Vanguard REIT (+1.4%) outperformed the MSCI US REIT Index (+1.0%), and Rhumblin Brookfield Global Infrastructure (+0.6%) underperformed the DJ Brookfield Global Infrastructure Net TR USD (+0.7%).
  - GTAA returned +2.1% for the quarter, underperforming the 60% MSCI World/40% Citi WGBI by 160 basis points. For the quarter, PIMCO All Asset All Authority (+2.1%), GMO Benchmark Free Allocation (+2.7%) and Standard Life GARS (+1.9%) all underperformed the benchmark.
- The Trust added one new investment manager in the quarter: Rhumblin Brookfield Global Infrastructure.



Fourth Quarter Manager Summary<sup>1</sup>

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation <sup>1</sup>	Comments
Credit Suisse Risk Parity Commodity	Commodities	---	---	---	---
GMO Benchmark Free Allocation Fund	GTAA	Yes	---	Hold	Personnel Change
PIMCO All Asset All Authority	GTAA	---	---	---	---
Standard Life GARS	GTAA	---	---	---	---

**GMO**

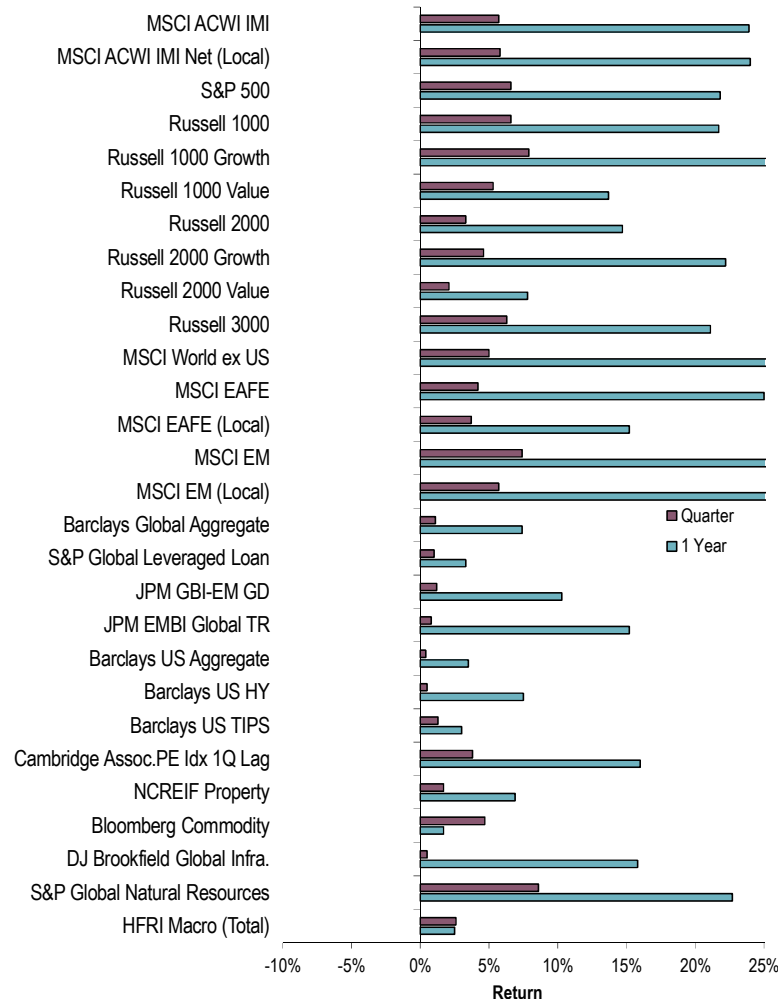
- In the fourth quarter, GMO's Asset Allocation team added a product specialist.

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



## Market Environment – 4Q17 Overview

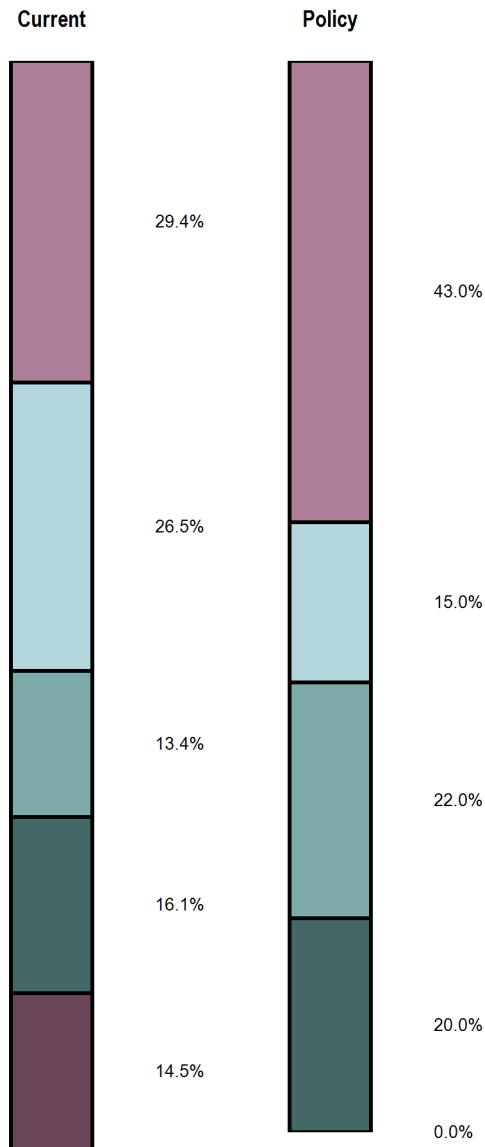
Benchmark	Scope	4Q17 (%)	1 YR (%)	3 YR (%)	5YR (%)	10 YR (%)
<b>Global Equity</b>						
MSCI ACWI IMI	World	5.7	23.9	9.5	11.0	5.0
MSCI ACWI IMI Net (Local)	World (Local Currency)	5.8	24.0	9.8	11.2	5.3
<b>Domestic Equity</b>						
S&P 500	Large Core	6.6	21.8	11.4	15.8	8.5
Russell 1000	Large Core	6.6	21.7	11.2	15.7	8.6
Russell 1000 Growth	Large Growth	7.9	30.2	13.8	17.3	10.0
Russell 1000 Value	Large Value	5.3	13.7	8.7	14.0	7.1
Russell 2000	Small Core	3.3	14.7	10.0	14.1	8.7
Russell 2000 Growth	Small Growth	4.6	22.2	10.3	15.2	9.2
Russell 2000 Value	Small Value	2.1	7.8	9.6	13.0	8.2
Russell 3000	All Cap Core	6.3	21.1	11.1	15.6	8.6
<b>International Equity</b>						
MSCI World ex US	World ex-US	5.0	27.2	7.8	6.8	1.8
MSCI EAFE	International Developed	4.2	25.0	7.8	7.9	1.9
MSCI EAFE (Local)	International Developed (Local Currency)	3.7	15.2	8.5	11.4	3.3
MSCI EM	Emerging Markets	7.4	37.3	9.1	4.3	1.7
MSCI EM (Local)	Emerging Markets (Local Currency)	5.7	30.6	10.5	8.0	4.1
<b>Global Fixed Income</b>						
Barclays Global Aggregate	Global Core Bonds	1.1	7.4	2.0	0.8	3.1
S&P Global Leveraged Loan	Bank Loans	1.0	3.3	3.7	3.4	4.6
JPM GBI-EM GD	Emerging Markets Bonds (Local Currency)	1.2	10.3	7.1	4.6	7.3
JPM EMBI Global TR	Emerging Market Bonds	0.8	15.2	2.5	-1.6	3.6
<b>Domestic Fixed Income</b>						
Barclays US Aggregate	Core Bonds	0.4	3.5	2.2	2.1	4.0
Barclays US HY	High Yield	0.5	7.5	6.4	5.8	8.0
Barclays US TIPS	Inflation	1.3	3.0	2.0	0.1	3.5
<b>Other</b>						
Cambridge Associates PE Index 1Qtr Lag	Private Equity	3.8	16.0	10.9	14.0	9.0
NCREIF Property	Real Estate	1.7	6.9	9.8	10.3	6.2
Bloomberg Commodity	Commodities	4.7	1.7	-5.0	-8.5	-6.8
DJ Brookfield Global Infrastructure	Infrastructure	0.5	15.8	3.7	8.5	6.7
S&P Global Natural Resources	Natural Resources	8.6	22.7	7.2	2.5	-0.4
HFRI Macro	Hedge Funds	2.6	2.5	-0.8	0.2	-1.1
MSCI ACWI IMI	World	5.7	23.9	9.5	11.0	5.0
MSCI ACWI IMI Net (Local)	World (Local Currency)	5.8	24.0	9.8	11.2	5.3



## 4Q17 Review

Total Fund Aggregate

As of December 31, 2017



Allocation vs. Targets and Policy							
	Current Balance	Current Allocation	Policy	Difference	Policy Range	Within IPS Range?	
Total Global Equity	\$37,471,683	29.4%	43.0%	-13.6%	25.0% - 50.0%	Yes	
Total Global Fixed Income	\$33,702,194	26.5%	15.0%	11.5%	5.0% - 25.0%	No	
Total Real Assets	\$17,060,623	13.4%	22.0%	-8.6%	12.0% - 25.0%	Yes	
Total GTAA	\$20,536,289	16.1%	20.0%	-3.9%	0.0% - 25.0%	Yes	
Total Cash	\$18,474,246	14.5%	0.0%	14.5%	0.0% - 5.0%	No	
<b>Total</b>	<b>\$127,245,035</b>	<b>100.0%</b>	<b>100.0%</b>				

## Total Fund Aggregate

As of December 31, 2017

## Asset Class Net Performance Summary

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Health Care Trust</b>	<b>127,245,035</b>	<b>100.0</b>	<b>2.5</b>	<b>4.9</b>	<b>10.4</b>	<b>10.4</b>	<b>4.3</b>	<b>5.1</b>	<b>--</b>	<b>5.3</b>	<b>Jul-12</b>
Policy Benchmark			3.8	7.5	15.2	15.2	6.3	6.4	--	6.6	Jul-12
Allocation Index			2.5	5.0	9.8	9.8	5.2	6.0	--	6.2	Jul-12
InvestorForce Health & Welfare \$50mm - \$250mm Gross Median			1.8	3.7	7.9	7.9	4.8	5.2	5.0	5.5	Jul-12
InvestorForce Health & Welfare \$50mm - \$250mm Gross Rank			31	32	37	37	63	52	--	53	Jul-12
<b>Global Equity Composite</b>	<b>37,471,683</b>	<b>29.4</b>	<b>5.6</b>	<b>11.2</b>	<b>24.2</b>	<b>24.2</b>	<b>9.9</b>	<b>11.1</b>	<b>--</b>	<b>12.2</b>	<b>Aug-12</b>
MSCI ACWI IMI (Net)			5.7	11.3	23.9	23.9	9.5	11.0	--	11.8	Aug-12
eV All Global Equity Net Median			5.1	10.5	23.0	23.0	9.0	11.4	5.5	11.9	Aug-12
eV All Global Equity Net Rank			39	43	43	43	37	55	--	46	Aug-12
<b>Global Fixed Income Composite</b>	<b>33,702,194</b>	<b>26.5</b>	<b>0.4</b>	<b>1.2</b>	<b>3.7</b>	<b>3.7</b>	<b>2.2</b>	<b>2.1</b>	<b>--</b>	<b>1.9</b>	<b>Aug-12</b>
BBgBarc US Aggregate TR			0.4	1.2	3.5	3.5	2.2	2.1	--	2.0	Aug-12
eV All US Fixed Inc Net Median			0.4	1.4	3.9	3.9	2.6	2.4	4.2	2.5	Aug-12
eV All US Fixed Inc Net Rank			51	57	55	55	59	58	--	63	Aug-12
<b>Real Assets</b>	<b>17,060,623</b>	<b>13.4</b>	<b>2.8</b>	<b>5.2</b>	<b>6.9</b>	<b>6.9</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4.8</b>	<b>Jul-15</b>
Real Assets Custom Benchmark			2.7	4.6	6.1	6.1	--	--	--	4.2	Jul-15
<b>Real Estate Composite</b>	<b>7,141,534</b>	<b>5.6</b>	<b>1.4</b>	<b>2.3</b>	<b>4.9</b>	<b>4.9</b>	<b>5.2</b>	<b>9.2</b>	<b>--</b>	<b>8.6</b>	<b>Aug-12</b>
MSCI US REIT Gross			1.4	2.3	5.1	5.1	5.4	9.3	--	8.7	Aug-12
eV US REIT Net Median			2.3	3.0	5.7	5.7	5.6	9.4	8.0	9.0	Aug-12
eV US REIT Net Rank			81	73	62	62	73	63	--	71	Aug-12
<b>Commodities Composite</b>	<b>7,907,164</b>	<b>6.2</b>	<b>4.4</b>	<b>7.8</b>	<b>9.5</b>	<b>9.5</b>	<b>-1.9</b>	<b>-5.2</b>	<b>--</b>	<b>-5.6</b>	<b>Oct-12</b>
Bloomberg Commodity Index TR USD			4.7	7.3	1.7	1.7	-5.0	-8.5	--	-9.2	Oct-12

<sup>1</sup> Fiscal Year begins July 1.<sup>2</sup> Please see the final page of the performance report for composition of the Policy Benchmark.<sup>3</sup> Allocation Benchmark consists of the individual benchmarks that comprise the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

## Total Fund Aggregate

As of December 31, 2017

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Infrastructure Composite</b>	<b>2,011,925</b>	<b>1.6</b>	<b>1.3</b>	<b>7.4</b>	<b>3.3</b>	<b>3.3</b>	<b>-0.1</b>	<b>--</b>	<b>--</b>	<b>-3.4</b>	<b>Jan-14</b>
<i>DJ Brookfield Global Infrastructure Net TR USD</i>			<i>0.5</i>	<i>3.8</i>	<i>15.8</i>	<i>15.8</i>	<i>3.7</i>	<i>--</i>	<i>--</i>	<i>6.7</i>	<i>Jan-14</i>
<b>GTAA Composite</b>	<b>20,536,289</b>	<b>16.1</b>	<b>2.1</b>	<b>4.1</b>	<b>8.8</b>	<b>8.8</b>	<b>2.8</b>	<b>--</b>	<b>--</b>	<b>0.8</b>	<b>Sep-14</b>
<i>60% MSCI World &amp; 40% Citigroup WGBI</i>			<i>3.7</i>	<i>7.5</i>	<i>16.2</i>	<i>16.2</i>	<i>6.4</i>	<i>--</i>	<i>--</i>	<i>4.8</i>	<i>Sep-14</i>
<b>Cash</b>	<b>18,474,246</b>	<b>14.5</b>									
<i>91 Day T-Bills</i>											

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

## Total Fund Aggregate

As of December 31, 2017

## Trailing Net Performance

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Global Equity Composite</b>	<b>37,471,683</b>	<b>29.4</b>	<b>5.6</b>	<b>11.2</b>	<b>24.2</b>	<b>9.9</b>	<b>11.1</b>	<b>--</b>	<b>12.2</b>	<b>Aug-12</b>
MSCI ACWI IMI (Net)			5.7	11.3	23.9	9.5	11.0	--	11.8	Aug-12
eV All Global Equity Net Median			5.1	10.5	23.0	9.0	11.4	5.5	11.9	Aug-12
eV All Global Equity Net Rank			39	43	43	37	55	--	46	Aug-12
Vanguard Total World Stock Index Fund	37,471,683	29.4	5.6	11.2	24.2	9.9	11.1	--	12.2	Aug-12
MSCI ACWI IMI (Net)			5.7	11.3	23.9	9.5	11.0	--	11.8	Aug-12
eV All Global Equity Net Median			5.1	10.5	23.0	9.0	11.4	5.5	11.9	Aug-12
eV All Global Equity Net Rank			39	43	43	37	55	--	46	Aug-12
<b>Global Fixed Income Composite</b>	<b>33,702,194</b>	<b>26.5</b>	<b>0.4</b>	<b>1.2</b>	<b>3.7</b>	<b>2.2</b>	<b>2.1</b>	<b>--</b>	<b>1.9</b>	<b>Aug-12</b>
BBgBarc US Aggregate TR			0.4	1.2	3.5	2.2	2.1	--	2.0	Aug-12
eV All US Fixed Inc Net Median			0.4	1.4	3.9	2.6	2.4	4.2	2.5	Aug-12
eV All US Fixed Inc Net Rank			51	57	55	59	58	--	63	Aug-12
Vanguard Total Bond Market Index Fund	33,702,194	26.5	0.4	1.2	3.7	2.2	2.1	--	1.9	Aug-12
BBgBarc US Aggregate TR			0.4	1.2	3.5	2.2	2.1	--	2.0	Aug-12
eV All US Fixed Inc Net Median			0.4	1.4	3.9	2.6	2.4	4.2	2.5	Aug-12
eV All US Fixed Inc Net Rank			51	57	55	59	58	--	63	Aug-12
<b>Real Assets</b>	<b>17,060,623</b>	<b>13.4</b>	<b>2.8</b>	<b>5.2</b>	<b>6.9</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4.8</b>	<b>Jul-15</b>
Real Assets Custom Benchmark			2.7	4.6	6.1	--	--	--	4.2	Jul-15
<b>Real Estate Composite</b>	<b>7,141,534</b>	<b>5.6</b>	<b>1.4</b>	<b>2.3</b>	<b>4.9</b>	<b>5.2</b>	<b>9.2</b>	<b>--</b>	<b>8.6</b>	<b>Aug-12</b>
MSCI US REIT Gross			1.4	2.3	5.1	5.4	9.3	--	8.7	Aug-12
eV US REIT Net Median			2.3	3.0	5.7	5.6	9.4	8.0	9.0	Aug-12
eV US REIT Net Rank			81	73	62	73	63	--	71	Aug-12

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

## Total Fund Aggregate

As of December 31, 2017

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Vanguard REIT Index Fund	7,141,534	5.6	1.4	2.3	4.9	5.2	9.2	--	8.6	Aug-12
<i>Vanguard REIT Index Fund Custom Benchmark</i>			1.4	2.3	5.1	5.4	9.3	--	8.7	Aug-12
<i>eV US REIT Net Median</i>			2.3	3.0	5.7	5.6	9.4	8.0	9.0	Aug-12
<i>eV US REIT Net Rank</i>			81	73	62	73	63	--	71	Aug-12
<b>Commodities Composite</b>	<b>7,907,164</b>	<b>6.2</b>	<b>4.4</b>	<b>7.8</b>	<b>9.5</b>	<b>-1.9</b>	<b>-5.2</b>	<b>--</b>	<b>-5.6</b>	<b>Oct-12</b>
<i>Bloomberg Commodity Index TR USD</i>			4.7	7.3	1.7	-5.0	-8.5	--	-9.2	Oct-12
Credit Suisse	7,907,164	6.2	4.4	7.8	9.5	-1.9	-4.7	--	-4.6	Nov-12
<i>Bloomberg Commodity Index TR USD</i>			4.7	7.3	1.7	-5.0	-8.5	--	-8.6	Nov-12
<b>Infrastructure Composite</b>	<b>2,011,925</b>	<b>1.6</b>	<b>1.3</b>	<b>7.4</b>	<b>3.3</b>	<b>-0.1</b>	<b>--</b>	<b>--</b>	<b>-3.4</b>	<b>Jan-14</b>
<i>DJ Brookfield Global Infrastructure Net TR USD</i>			0.5	3.8	15.8	3.7	--	--	6.7	Jan-14
Rhumblin Brookfield Global Infrastructure	2,011,925	1.6	--	--	--	--	--	--	0.6	Nov-17
<i>DJ Brookfield Global Infrastructure Net TR USD</i>			--	--	--	--	--	--	0.7	Nov-17
<b>GTAA Composite</b>	<b>20,536,289</b>	<b>16.1</b>	<b>2.1</b>	<b>4.1</b>	<b>8.8</b>	<b>2.8</b>	<b>--</b>	<b>--</b>	<b>0.8</b>	<b>Sep-14</b>
<i>60% MSCI World &amp; 40% Citigroup WGBI</i>			3.7	7.5	16.2	6.4	--	--	4.8	Sep-14
GMO	3,606,322	2.8	2.7	5.1	13.0	3.8	--	--	2.6	Sep-14
<i>60% MSCI World &amp; 40% Citigroup WGBI</i>			3.7	7.5	16.2	6.4	--	--	4.8	Sep-14
PIMCO	8,901,323	7.0	2.1	5.3	12.0	3.9	--	--	0.9	Sep-14
<i>CPI + 6.5% (Seasonally Adjusted)</i>			2.2	5.0	8.7	8.2	--	--	7.9	Sep-14
<i>60% MSCI World &amp; 40% Citigroup WGBI</i>			3.7	7.5	16.2	6.4	--	--	4.8	Sep-14

<sup>1</sup> Fiscal Year begins July 1.<sup>2</sup> Vanguard REIT Custom Benchmark is comprised of the MSCI US REIT Index adjusted to include a 2% cash position through April 30, 2009; MSCI US REIT Index through January 31, 2018; MSCI US Investible Market Real Estate 25/50 Transition Index thereafter.



## Total Fund Aggregate

As of December 31, 2017

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Standard Life	8,028,645	6.3	1.9	2.3	3.8	--	--	--	0.9	Feb-15
<i>91-Day T-Bills + 5%</i>			1.5	3.0	6.0	--	--	--	5.5	<i>Feb-15</i>
<i>60% MSCI World &amp; 40% Citigroup WGBI</i>			3.7	7.5	16.2	--	--	--	7.0	<i>Feb-15</i>
<b>Cash</b>	<b>18,474,246</b>	<b>14.5</b>								
<i>91 Day T-Bills</i>										
Cash	18,474,246	14.5								
<i>91 Day T-Bills</i>										

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

## Total Fund Aggregate

As of December 31, 2017

## Cash Flow Summary

Quarter Ending December 31, 2017

	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$18,523,343	\$1,949,188	-\$2,044,902	-\$95,714	\$46,617	\$18,474,246
Credit Suisse	\$7,572,146	\$0	-\$7,589	-\$7,589	\$342,608	\$7,907,164
GMO	\$3,510,045	\$0	\$0	\$0	\$96,276	\$3,606,322
PIMCO	\$8,718,658	\$0	\$0	\$0	\$182,665	\$8,901,323
Rhumblin Brookfield Global Infrastructure	--	\$3,094,830	-\$1,094,830	\$2,000,000	\$11,925	\$2,011,925
Standard Life	\$7,878,154	\$0	-\$9,988	-\$9,988	\$160,480	\$8,028,645
Vanguard REIT Index Fund	\$7,043,935	\$0	\$0	\$0	\$97,599	\$7,141,534
Vanguard Total Bond Market Index Fund	\$33,566,166	\$0	\$0	\$0	\$136,028	\$33,702,194
Vanguard Total World Stock Index Fund	\$35,474,073	\$0	\$0	\$0	\$1,997,610	\$37,471,683
Wellington	\$1,328,076	\$0	-\$1,340,427	-\$1,340,427	\$12,351	\$0

## Cash Flow Summary

Fiscal YTD Ending December 31, 2017

	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$17,636,296	\$19,834,598	-\$19,086,345	\$748,254	\$89,697	\$18,474,246
Credit Suisse	\$7,337,802	\$0	-\$14,821	-\$14,821	\$584,183	\$7,907,164
GMO	\$3,432,850	\$0	\$0	\$0	\$173,471	\$3,606,322
PIMCO	\$8,451,037	\$0	\$0	\$0	\$450,286	\$8,901,323
Rhumblin Brookfield Global Infrastructure	--	\$3,094,830	-\$1,094,830	\$2,000,000	\$11,925	\$2,011,925
Standard Life	\$7,848,305	\$0	-\$24,935	-\$24,935	\$205,274	\$8,028,645
Vanguard REIT Index Fund	\$6,981,720	\$0	\$0	\$0	\$159,814	\$7,141,534
Vanguard Total Bond Market Index Fund	\$16,296,768	\$17,000,000	\$0	\$17,000,000	\$405,426	\$33,702,194
Vanguard Total World Stock Index Fund	\$33,700,142	\$0	\$0	\$0	\$3,771,541	\$37,471,683
Wellington	\$1,252,917	\$0	-\$1,343,264	-\$1,343,264	\$90,347	\$0

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

## Total Fund Aggregate

As of December 31, 2017

## Cash Flow Summary

1 Year Ending December 31, 2017

	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$16,748,124	\$20,741,546	-\$19,156,970	\$1,584,576	\$141,547	\$18,474,246
Credit Suisse	\$7,222,960	\$0	-\$29,012	-\$29,012	\$713,216	\$7,907,164
GMO	\$3,190,214	\$0	\$0	\$0	\$416,107	\$3,606,322
PIMCO	\$7,944,559	\$0	\$0	\$0	\$956,763	\$8,901,323
Rhumblin Brookfield Global Infrastructure	--	\$3,094,830	-\$1,094,830	\$2,000,000	\$11,925	\$2,011,925
Standard Life	\$7,733,072	\$0	-\$53,925	-\$53,925	\$349,498	\$8,028,645
Vanguard REIT Index Fund	\$6,805,553	\$0	\$0	\$0	\$335,981	\$7,141,534
Vanguard Total Bond Market Index Fund	\$15,914,173	\$17,000,000	\$0	\$17,000,000	\$788,020	\$33,702,194
Vanguard Total World Stock Index Fund	\$30,169,403	\$0	\$0	\$0	\$7,302,280	\$37,471,683
Wellington	\$1,303,016	\$0	-\$1,349,074	-\$1,349,074	\$46,058	\$0

## Cash Flow Summary Since Inception

Ending December 31, 2017

	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Cash	\$0	\$117,662,282	-\$99,342,550	\$18,319,732	\$154,515	\$18,474,246
Credit Suisse	--	\$8,800,000	-\$591,042	\$8,208,958	-\$301,793	\$7,907,164
First Quadrant	--	\$890,000	-\$742,610	\$147,390	-\$147,390	--
GMO	--	\$3,950,000	-\$704,232	\$3,245,768	\$360,554	\$3,606,322
PIMCO	--	\$8,150,000	-\$73,188	\$8,076,812	\$824,510	\$8,901,323
Rhumblin Brookfield Global Infrastructure	--	\$3,094,830	-\$1,094,830	\$2,000,000	\$11,925	\$2,011,925
Standard Life	--	\$7,800,000	-\$61,930	\$7,738,070	\$290,574	\$8,028,645
Vanguard REIT Index Fund	--	\$4,988,695	-\$16,554	\$4,972,141	\$2,169,393	\$7,141,534
Vanguard Total Bond Market Index Fund	--	\$36,110,434	-\$4,227,831	\$31,882,603	\$1,819,591	\$33,702,194
Vanguard Total World Stock Index Fund	--	\$24,671,390	-\$121,989	\$24,549,401	\$12,922,282	\$37,471,683
Wellington	--	\$1,590,000	-\$1,379,686	\$210,314	-\$210,314	\$0

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

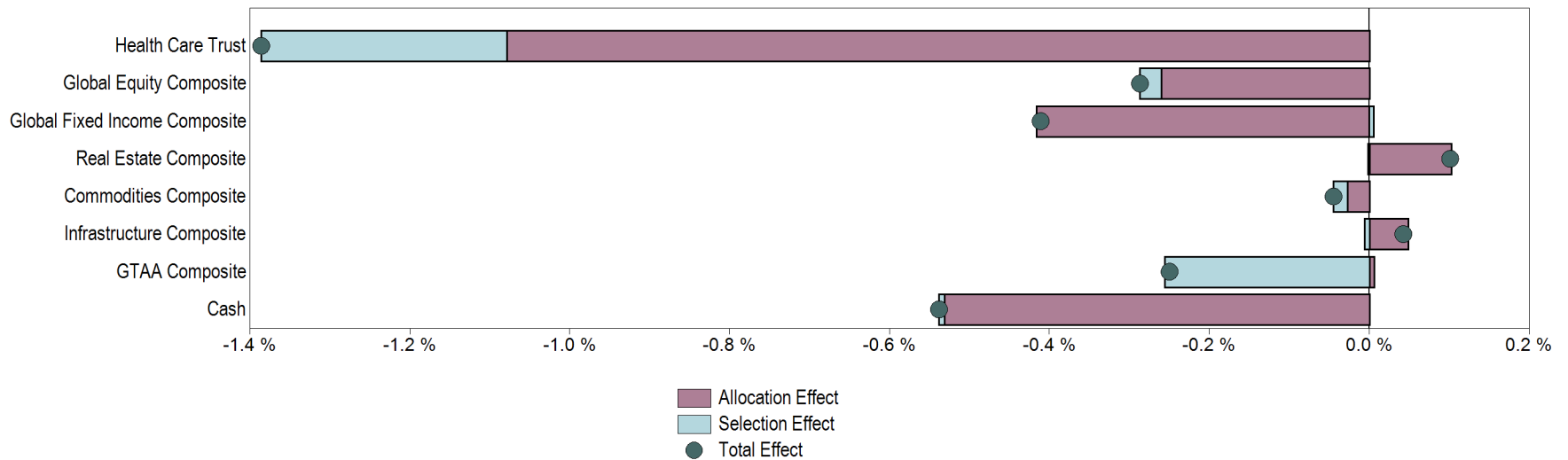
Total Fund Aggregate

As of December 31, 2017

Attribution Summary  
3 Months Ending December 31, 2017

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Global Equity Composite	5.6%	5.7%	-0.1%	0.0%	-0.3%	-0.3%
Global Fixed Income Composite	0.4%	0.4%	0.0%	0.0%	-0.4%	-0.4%
Real Estate Composite	1.4%	1.4%	0.0%	0.0%	0.1%	0.1%
Commodities Composite	4.4%	4.7%	-0.3%	0.0%	0.0%	0.0%
Infrastructure Composite	1.3%	1.1%	0.2%	0.0%	0.0%	0.0%
GTAA Composite	2.1%	3.7%	-1.6%	-0.3%	0.0%	-0.2%
Cash	0.3%	0.3%	0.0%	0.0%	-0.5%	-0.5%
<b>Total</b>	<b>2.5%</b>	<b>3.9%</b>	<b>-1.4%</b>	<b>-0.3%</b>	<b>-1.1%</b>	<b>-1.4%</b>

Attribution Effects  
3 Months Ending December 31, 2017



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

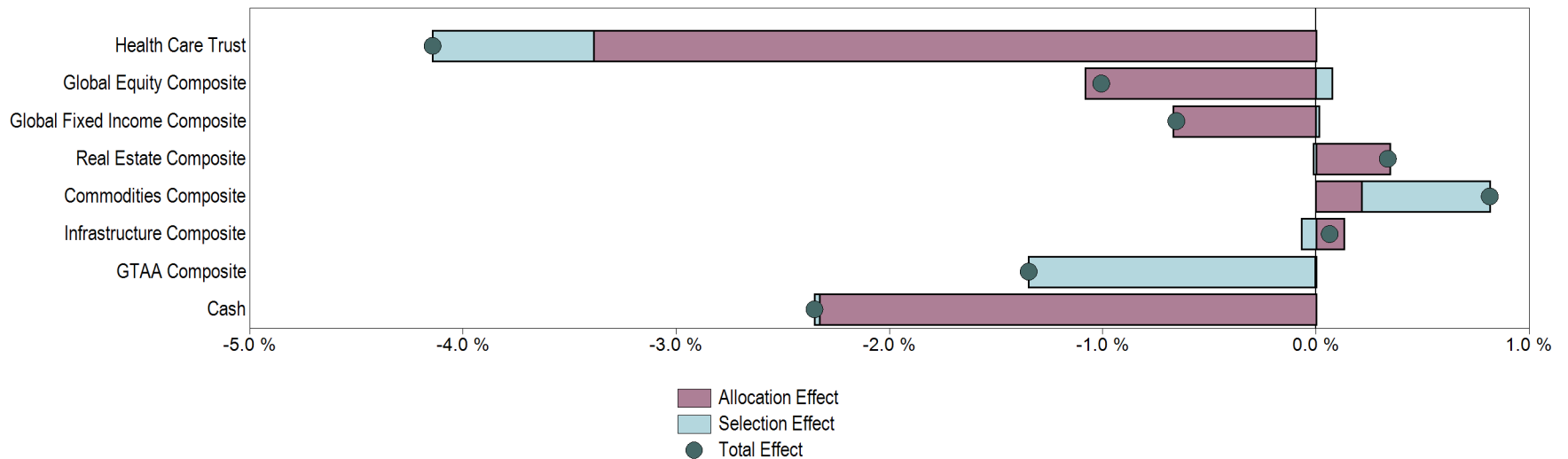
Total Fund Aggregate

As of December 31, 2017

Attribution Summary  
1 Year Ending December 31, 2017

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Global Equity Composite	24.2%	23.9%	0.3%	0.1%	-1.1%	-1.0%
Global Fixed Income Composite	3.7%	3.5%	0.1%	0.0%	-0.7%	-0.7%
Real Estate Composite	4.9%	5.1%	-0.1%	0.0%	0.3%	0.3%
Commodities Composite	9.5%	1.7%	7.8%	0.6%	0.2%	0.8%
Infrastructure Composite	3.3%	7.2%	-3.9%	-0.1%	0.1%	0.1%
GTAA Composite	8.8%	16.2%	-7.4%	-1.3%	0.0%	-1.3%
Cash	0.8%	0.9%	-0.1%	0.0%	-2.3%	-2.4%
<b>Total</b>	<b>10.5%</b>	<b>14.7%</b>	<b>-4.1%</b>	<b>-0.8%</b>	<b>-3.4%</b>	<b>-4.1%</b>

Attribution Effects  
1 Year Ending December 31, 2017



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

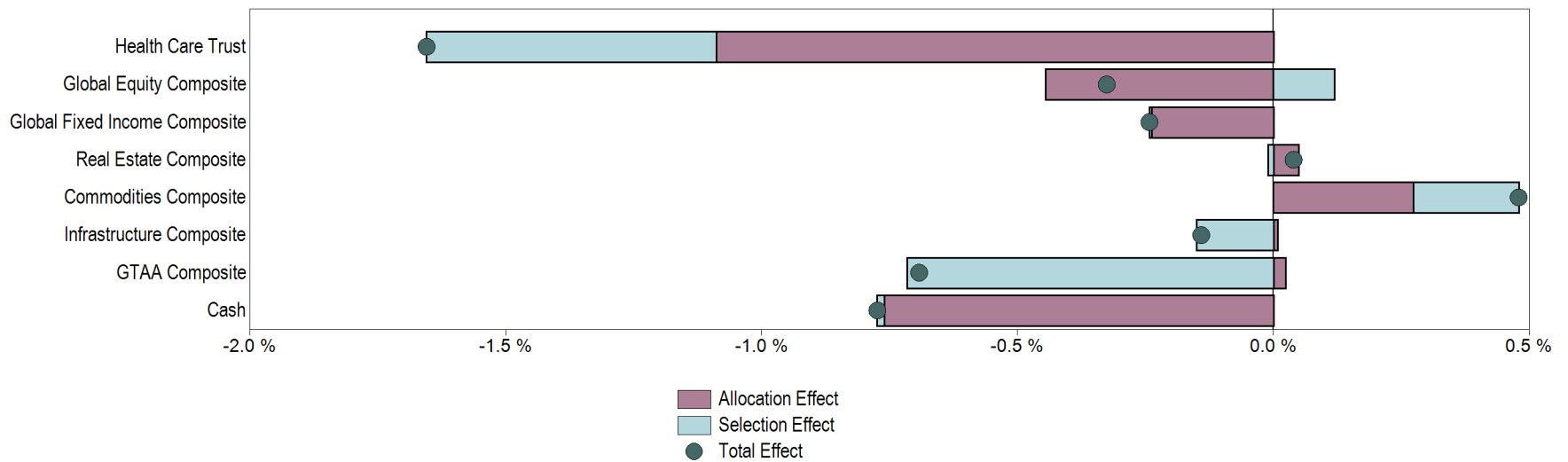
Total Fund Aggregate

As of December 31, 2017

Attribution Summary  
3 Years Ending December 31, 2017

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Global Equity Composite	9.9%	9.5%	0.3%	0.1%	-0.4%	-0.3%
Global Fixed Income Composite	2.2%	2.2%	0.0%	0.0%	-0.2%	-0.2%
Real Estate Composite	5.2%	5.4%	-0.1%	0.0%	0.0%	0.0%
Commodities Composite	-1.9%	-5.0%	3.2%	0.2%	0.3%	0.5%
Infrastructure Composite	-0.1%	6.7%	-6.8%	-0.1%	0.0%	-0.1%
GTAA Composite	2.8%	6.4%	-3.6%	-0.7%	0.0%	-0.7%
Cash	0.3%	0.4%	-0.1%	0.0%	-0.8%	-0.8%
<b>Total</b>	<b>4.5%</b>	<b>6.1%</b>	<b>-1.7%</b>	<b>-0.6%</b>	<b>-1.1%</b>	<b>-1.7%</b>

Attribution Effects  
3 Years Ending December 31, 2017

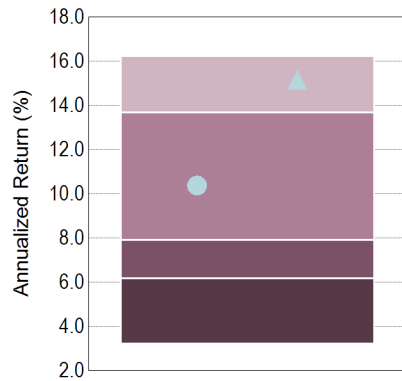


<sup>1</sup> Fiscal Year begins July 1.

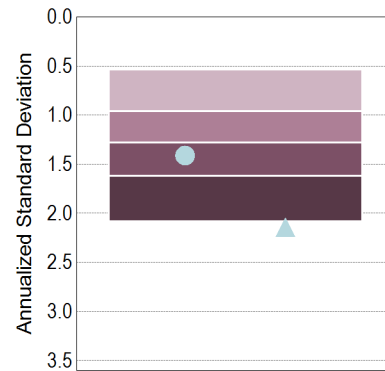
Total Fund Risk Statistics vs. Peer Universe (Trailing 1 Year)

As of December 31, 2017

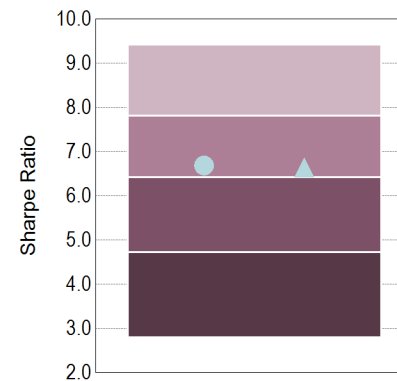
**Annualized Return (%)**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



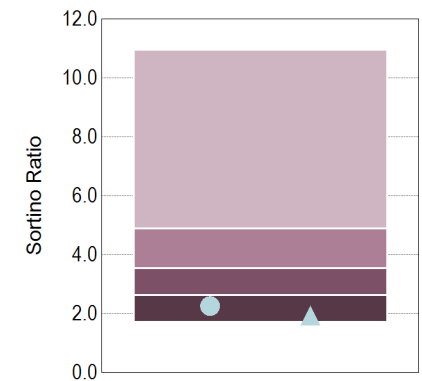
**Annualized Standard Deviation**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



**Sharpe Ratio**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



**Sortino Ratio**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



● Health Care Trust  
Value  
Rank

10.4  
37

▲ Policy Benchmark  
Value  
Rank

15.2  
20

Universe  
5th %tile  
25th %tile  
Median  
75th %tile  
95th %tile

16.2  
13.7  
7.9  
6.2  
3.2

● Health Care Trust  
Value  
Rank

1.4  
66

▲ Policy Benchmark  
Value  
Rank

2.1  
96

Universe  
5th %tile  
25th %tile  
Median  
75th %tile  
95th %tile

0.5  
1.0  
1.3  
1.6  
2.1

● Health Care Trust  
Value  
Rank

6.7  
45

▲ Policy Benchmark  
Value  
Rank

6.6  
46

Universe  
5th %tile  
25th %tile  
Median  
75th %tile  
95th %tile

9.4  
7.8  
6.4  
4.7  
2.8

● Health Care Trust  
Value  
Rank

2.2  
89

▲ Policy Benchmark  
Value  
Rank

1.9  
92

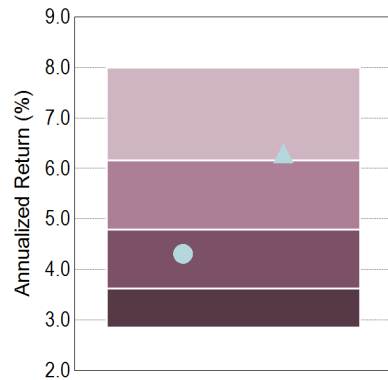
Universe  
5th %tile  
25th %tile  
Median  
75th %tile  
95th %tile

11.0  
4.9  
3.6  
2.6  
1.7

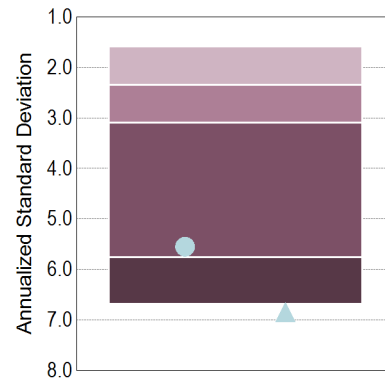
Total Fund Risk Statistics vs. Peer Universe (Trailing 3 Years)

As of December 31, 2017

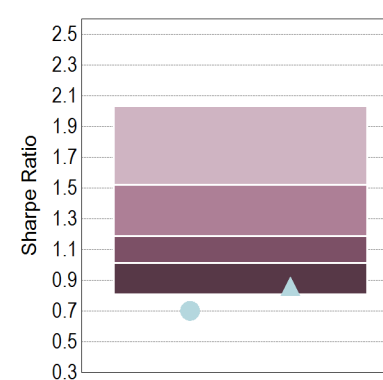
**Annualized Return (%)**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



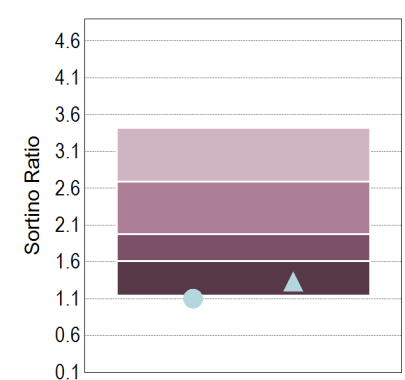
**Annualized Standard Deviation**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



**Sharpe Ratio**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



**Sortino Ratio**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



● Health Care Trust  
Value 4.3  
Rank 63  
▲ Policy Benchmark  
Value 6.3  
Rank 24

Universe  
5th %tile 8.0  
25th %tile 6.2  
Median 4.8  
75th %tile 3.6  
95th %tile 2.9

● Health Care Trust  
Value 5.6  
Rank 72  
▲ Policy Benchmark  
Value 6.8  
Rank 97

Universe  
5th %tile 1.6  
25th %tile 2.3  
Median 3.1  
75th %tile 5.7  
95th %tile 6.7

● Health Care Trust  
Value 0.7  
Rank 99  
▲ Policy Benchmark  
Value 0.9  
Rank 95

Universe  
5th %tile 2.0  
25th %tile 1.5  
Median 1.2  
75th %tile 1.0  
95th %tile 0.8

● Health Care Trust  
Value 1.1  
Rank 99  
▲ Policy Benchmark  
Value 1.3  
Rank 93

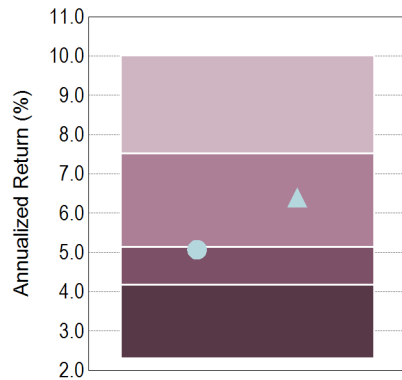
Universe  
5th %tile 3.4  
25th %tile 2.7  
Median 2.0  
75th %tile 1.6  
95th %tile 1.1



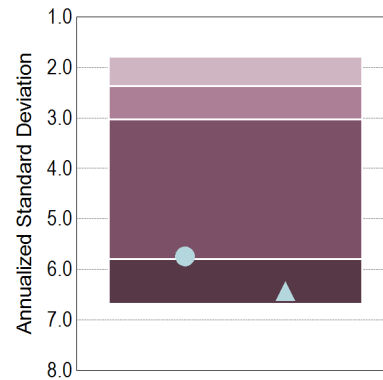
Total Fund Risk Statistics vs. Peer Universe (Trailing 5 Years)

As of December 31, 2017

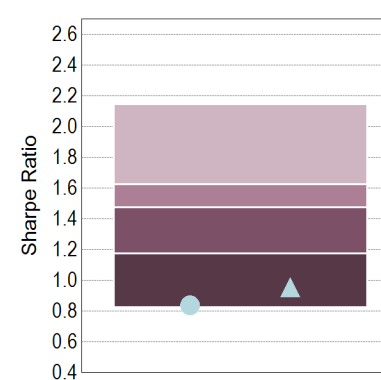
**Annualized Return (%)**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



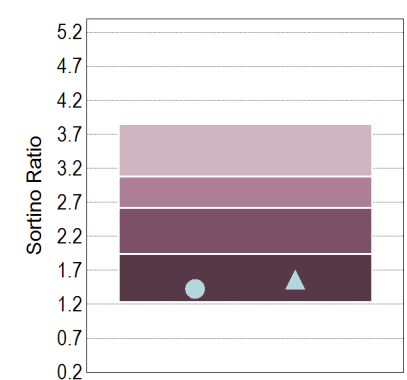
**Annualized Standard Deviation**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



**Sharpe Ratio**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



**Sortino Ratio**  
vs. InvestorForce Health & Welfare \$50mm  
- \$250mm Gross



● Health Care Trust  
Value 5.1  
Rank 52  
▲ Policy Benchmark  
Value 6.4  
Rank 29

● Health Care Trust  
Value 5.7  
Rank 75  
▲ Policy Benchmark  
Value 6.4  
Rank 90

● Health Care Trust  
Value 0.8  
Rank 94  
▲ Policy Benchmark  
Value 1.0  
Rank 88

● Health Care Trust  
Value 1.4  
Rank 93  
▲ Policy Benchmark  
Value 1.6  
Rank 90

Universe  
5th %tile 10.0  
25th %tile 7.5  
Median 5.2  
75th %tile 4.2  
95th %tile 2.3

Universe  
5th %tile 1.8  
25th %tile 2.4  
Median 3.0  
75th %tile 5.8  
95th %tile 6.7

Universe  
5th %tile 2.1  
25th %tile 1.6  
Median 1.5  
75th %tile 1.2  
95th %tile 0.8

Universe  
5th %tile 3.9  
25th %tile 3.1  
Median 2.6  
75th %tile 1.9  
95th %tile 1.2

As of December 31, 2017

### Benchmark History

As of December 31, 2017

#### Health Care Trust

2/1/2017	Present	43% MSCI ACWI IMI (Net) / 15% BBgBarc US Aggregate TR / 10% MSCI US REIT Gross / 9% Bloomberg Commodity Index TR USD / 3% CPI + 5% (Unadjusted) / 20% 60% MSCI World & 40% Citigroup WGBI
9/1/2014	1/31/2017	43% MSCI ACWI IMI (Net) / 15% BBgBarc US Aggregate TR / 10% MSCI US REIT Gross / 9% Custom Commodity Risk Parity Index / 3% CPI + 5% (Unadjusted) / 20% 60% MSCI World & 40% Citigroup WGBI

#### Global Equity Composite

8/1/2012	Present	MSCI ACWI IMI Net USD
----------	---------	-----------------------

#### Global Fixed Income Composite

8/1/2012	Present	BBgBarc US Aggregate TR
----------	---------	-------------------------

#### Real Assets

7/1/2015	Present	Real Assets Custom Benchmark
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#### Real Estate Composite

8/1/2012	Present	MSCI US REIT Gross
----------	---------	--------------------

#### Liquid Real Assets Composite

No Benchmark Selected

#### Commodities Composite

10/1/2012	Present	Bloomberg Commodity Index TR USD
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#### Infrastructure Composite

1/1/2014	Present	DJ Brookfield Global Infrastructure Net TR USD
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#### GTAA Composite

9/1/2014	Present	60% MSCI World / 40% Citi WGBI
----------	---------	--------------------------------

#### Cash

7/1/2012	Present	91 Day T-Bills
----------	---------	----------------

## **Glossary and Notes**

**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.

**Jensen's Alpha:** A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk.  $\text{Portfolio Return} - [\text{Risk Free Rate} + \text{Beta} * (\text{market return} - \text{Risk Free Rate})]$ .

**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.