

# Pension Trust

1000 Mill Street  
San Luis Obispo, CA 93408  
(805) 781-5465 Phone  
(805) 781-5697 Fax  
www.SLOPensionTrust.org

San Luis Obispo County  
Pension Trust  
*SLOOPT*



## AGENDA

### PENSION TRUST BOARD OF TRUSTEES

**Monday, January 23, 2017 9:30 AM**

Board of Supervisors Chambers  
County Government Center  
San Luis Obispo, CA 93408

### PUBLIC COMMENT

1. Public Comment: Members of the public wishing to address the Board on matters other than scheduled items may do so when recognized by the Chair. Presentations are limited to three minutes per individual.

### ORGANIZATIONAL

2. Election of Officers (Pursuant to Section 3.05 and Section 3.06 of the By-Laws of the San Luis Obispo County Pension Trust).
3. Committees – appointment of members by President.
  - a. Audit Committee (standing committee)
  - b. Personnel Committee (standing committee)
  - c. Pension Administration System Replacement Committee (ad hoc committee)

### CONSENT

4. Minutes of the Regular Meeting of December 12, 2016 (Approve Without Correction).
5. Report of Deposits and Contributions for the month of December 2016 (Receive and File).
6. Report of Service Retirements, Disability Retirements and DROP Participants for the month of December (Receive, Approve and File).

7. Report of Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through January 6, 2017 (Receive, Approve and File).
8. Monthly Investment Report for November 2016 (Receive and File).
9. Resolution Modifying and Affirming Investment and Banking authority – Resolution 2017-01 (Recommend Approval).

## **APPLICATIONS FOR DISABILITY RETIREMENT**

10. Application for Disability Retirement – one case

## **OLD BUSINESS**

None

## **NEW BUSINESS**

11. Resolution 2017-02 – Honoring Tom Winfield, Esq. for Legal Service to the Pension Trust (Recommend Approval).
12. Disability Hearing Process - (Discuss and Direct Staff).
13. Indemnification – Authorization pursuant to Section 16.02(j) of the Retirement Plan (Recommend approval).

## **INVESTMENTS**

14. Cash Flow Analysis for 2017 (Receive and File).
15. Monthly Investment Report for December 2016 (Receive and File).
16. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

**OPERATIONS**

17. Staff Reports

18. General Counsel Reports

19. Committee Reports:

- a. Audit Committee No Report
- b. Personnel Committee No Report
- c. PAS Replacement Committee Report

20. Upcoming Board Topics (subject to change):

- a. February 27, 2017
  - i. Disability case (tentative)
  - ii. 2017 Retiree COLA
  - iii. Actuarial Audit RFP
  - iv. 4Q16 quarterly investment report
  - v. Capital Market Expectations
  - vi. Asset Allocation annual review
  - vii. Peer Comparison – Investments
- b. March 27, 2017
  - i. Disability case (tentative)
  - ii. 2017 Actuarial Valuation planning and assumptions (with Leslie Thompson)
  - iii. 2017 Employer contribution prefunding
- c. April 24, 2017
  - i. Budget – FY17-18 – discussion
  - ii. Fiduciary Refresher Training

21. Trustee Comments

**REFERRED ITEMS**

None

**ADDED ITEMS**

None

## **CLOSED SESSION**

22. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION. The Board will convene in closed session pursuant to paragraph (1) of subdivision (d) of Gov. Code section 54956.9 to discuss existing litigation. One (1) case: San Luis Obispo County Deputy County Counsel Association et al. v. San Luis Obispo County Pension Trust Board et al.

## **ADJOURNMENT**

# Board of Trustees

1000 Mill Street  
San Luis Obispo, CA 93408  
Phone: (805) 781-5465  
Fax: (805) 781-5697  
www.SLOPensionTrust.org

San Luis Obispo County  
Pension Trust  
**SLOOPT**



## NOVEMBER 28, 2016 MINUTES OF THE REGULAR MEETING OF THE PENSION TRUST BOARD OF TRUSTEES

**BOARD MEMBERS PRESENT:** Matt Janssen, President  
Will Clemens, Vice President  
Gere Sibbach  
Jim Hamilton  
Jim Erb  
Jeff Hamm

**BOARD MEMBERS ABSENT:** Guy Savage

**STAFF:** Carl Nelson  
Andrea Paley  
Amy Burke

**COUNSEL:** Chris Waddell, Esq.

**PRESENTERS:** Ed Meyers, LRWL  
Chris Fikes, LRWL  
Andy Martin, LRS  
Greg Bird, IT Supervisor  
Myca Conaway, IT Project Manager

**OTHERS:** Debbie Villalon, Pension Trust  
Larry Batcheldor, SLOCREA  
Michael Hobbs, Human Resources  
Dan Andoetoe, Retiree  
Frank Mecham, 1<sup>st</sup> District Supervisor

The meeting was called to order by President Janssen at 9:31 AM, who presided over same.

**AGENDA ITEM NO. 1: PUBLIC COMMENT.**

Mr. Janssen as President of the Board of Trustees thanked Mr. Frank Mecham, retiring 1<sup>st</sup> District Supervisor for his interest and knowledge of the Pension Trust during his tenure on the Board of Supervisors.

Mr. Frank Mecham addressed the Board of Trustees and thanked them for performing a complex and important duty to the Pension Trust.

**ORGANIZATIONAL:**

None.

**CONSENT:**

**AGENDA ITEM NO. 2 - 5: CONSENT.**

Upon the motion of Mr. Hamm, seconded by Mr. Janssen, and unanimously passed, the following action was taken:

- ITEM 2:** The Minutes of the Regular Meeting of November 28, 2016 were approved without correction.
- ITEM 3:** The Report of Deposits and Contributions for the Month of November 2016, was received and filed.
- ITEM 4:** The Report of Service Retirements, Disability and DROP Retirements for the month of November 2016, was received, approved and filed.
- ITEM 5:** The Report of Applications for participation in the Deferred Retirement Option Program received through December 2, 2016 was received, approved and filed.

**APPLICATIONS FOR DISABILITY RETIREMENT:**

**AGENDA ITEM NO. 7: APPLICATION FOR ORDINARY DISABILITY  
RETIREMENT CASE NO. 2016-05  
APPROVAL.**

Upon the motion of Mr. Erb, seconded by Mr. Janssen, and unanimously passed, the Application for Ordinary Disability Retirement Case No. 2016-05 was approved.

**\*\* 9:43 AM** – Trustee Clemens arrived at the meeting at this time.

**OLD BUSINESS:**

None.

**NEW BUSINESS:**

**AGENDA ITEM NO. 7: CYBERSECURITY PRESENTATION**

The topic of cybersecurity relative to Pension Trust data was the subject of a thorough presentation by Greg Bird (County IT), Ed Meyers (Oversight Project Manager, LRWL, Inc.) and Andy Martin (Project Manager, LRS, Inc.). After thorough discussion and upon the motion of Mr. Hamm, seconded by Mr. Erb, and unanimously passed, the presentation on cybersecurity was received and filed.

**AGENDA ITEM NO. 8: MEMBER SURVEY**

Staff presented a draft set of questions for a survey of Pension Trust members. After thorough discussion the Board suggested the addition of a question for the survey to active members on “what could be improved on”. Upon the motion of Mr. Janssen, seconded by Mr. Hamm, and unanimously passed, the draft member survey with the addition of one question noted above was approved.

**INVESTMENTS:**

**AGENDA ITEM NO. 9: MONTHLY INVESTMENT REPORT  
FOR NOVEMBER 2016.**

Staff reported that due to the early date of the December Board of Trustees meeting that the Monthly Investment Report for November 2016 was not yet available and would be distributed as soon as possible and placed on the agenda for the January 2017 meeting to be received and filed.

**AGENDA ITEM NO. 10: ASSET ALLOCATION.**

Staff reported that no action regarding investment asset allocations were necessary at this time.

**OPERATIONS:**

**AGENDA ITEM NO. 11: STAFF ORAL REPORTS.**

- A)** Staff commented on recent reports of mortality rates nationwide increasing slightly in 2015. The recent mortality data is not significant enough to warrant any change to the mortality assumptions used in the actuarial valuation.
- B)** Staff announced the sale of the Higuera Center investment property was close to consummation at a net proceeds of approximately \$12.4 million. Staff also reported that the marketing of the properties at 705 and 709 Fiero Lane was underway.

**AGENDA ITEM NO. 12: GENERAL COUNSEL ORAL REPORTS.**

None

**AGENDA ITEM NO. 13: COMMITTEE REPORTS – AS NEEDED.**

- A)** AUDIT COMMITTEE: There was no meeting, nothing to report.
- B)** PERSONNEL COMMITTEE: There was no meeting, nothing to report.
- C)** PENSION ADMINISTRATION SYSTEM ADMINISTRATION (PASR) COMMITTEE: There was no meeting, nothing to report.

**AGENDA ITEM NO. 14: UPCOMING BOARD TOPICS.**

The planned topics for the next three board meetings were included in the agenda summary. This is an information item, nothing further to report.

**AGENDA ITEM NO. 15: TRUSTEE COMMENTS.**

None

**REFERRED ITEMS:** None.

**ADDED ITEMS:** None.

**CLOSED SESSION:**

\*\* Entered into Closed Session at 11:28 AM

\*\* Returned to Open Session at 11:35 AM

**AGENDA ITEM NO. 16: CONFERENCE WITH LEGAL COUNSEL  
– EXISTING LITIGATION.**

President Janssen reported no action was taken.

**ADJOURNMENT.**

There being no further business, the meeting was adjourned at 11:36 AM. The next Regular Meeting was set for January 23, 2017, at 9:30 AM, in the Board of Supervisors Chambers, New County Government Center, San Luis Obispo, California 93408.

**Respectfully submitted,**

**Carl Nelson  
Executive Secretary**

This page left blank intentionally.

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF  
DECEMBER 2016**

PP 25 12/9/2016	Pensionable	Employer	Employer	Employee	Employee	Combined	Additional	Buy	TOTAL
	Salary	Contributions	Rate	Contributions	Rate	Rate	Contributions	Backs	Contributions
<b>By Employer and Tier:</b>									
County Tier 1	4,283,733.04	828,315.48	19.34%	706,150.07	16.48%	35.82%	1,597.50	1,065.60	<b>1,537,128.65</b>
County Tier 2	862,123.91	170,226.00	19.74%	85,565.75	9.92%	29.67%	3,682.11	760.78	<b>260,234.64</b>
County Tier 3	1,515,072.03	277,441.35	18.31%	123,140.41	8.13%	26.44%	-	660.62	<b>401,242.38</b>
Superior Court Tier 1	304,386.26	65,895.29	21.65%	39,290.29	12.91%	34.56%	-	-	<b>105,185.58</b>
Superior Court Tier 3	41,859.22	8,033.41	19.19%	3,083.54	7.37%	26.56%	-	216.13	<b>11,333.08</b>
APCD Tier 1	103,645.68	19,312.79	18.63%	16,589.79	16.01%	34.64%	-	-	<b>35,902.58</b>
APCD Tier 3	11,772.03	2,153.98	18.30%	1,002.61	8.52%	26.81%	-	-	<b>3,156.59</b>
Pension Trust Staff Tier 1	10,029.32	1,958.72	19.53%	1,723.52	17.18%	36.71%	-	-	<b>3,682.24</b>
Pension Trust Staff Tier 2	7,069.60	1,380.69	19.53%	600.92	8.50%	28.03%	55.85	-	<b>2,037.46</b>
Pension Trust Staff Tier 3	7,563.56	1,440.10	19.04%	709.30	9.38%	28.42%	-	-	<b>2,149.40</b>
LAFCO Tier 1	11,575.09	2,731.72	23.60%	1,570.45	13.57%	37.17%	-	-	<b>4,302.17</b>
Lump Sum Buy Backs/Adjustments									-
	<b>7,158,829.74</b>	<b>1,378,889.53</b>	<b>19.26%</b>	<b>979,426.65</b>	<b>13.68%</b>	<b>32.94%</b>	<b>5,335.46</b>	<b>2,703.13</b>	<b>\$ 2,366,354.77</b>
<b>PP 26 12/23/2016</b>									
<b>By Employer and Tier:</b>									
County Tier 1	4,222,438.29	827,140.53	19.59%	686,092.44	16.25%	35.84%	1,597.50	699.91	<b>1,515,530.38</b>
County Tier 2	845,521.98	169,154.69	20.01%	79,643.41	9.42%	29.43%	7,295.52	760.78	<b>256,854.40</b>
County Tier 3	1,512,325.12	279,596.18	18.49%	120,460.61	7.97%	26.45%	-	660.62	<b>400,717.41</b>
Superior Court Tier 1	302,837.57	65,650.73	21.68%	39,159.97	12.93%	34.61%	-	-	<b>104,810.70</b>
Superior Court Tier 3	43,877.62	8,416.50	19.18%	3,254.90	7.42%	26.60%	-	317.72	<b>11,989.12</b>
APCD Tier 1	74,221.98	13,826.79	18.63%	11,868.89	15.99%	34.62%	-	-	<b>25,695.68</b>
APCD Tier 3	8,698.40	1,592.16	18.30%	737.38	8.48%	26.78%	-	-	<b>2,329.54</b>
Pension Trust Staff Tier 1	10,029.32	1,958.72	19.53%	1,723.52	17.18%	36.71%	-	-	<b>3,682.24</b>
Pension Trust Staff Tier 2	7,069.60	1,380.69	19.53%	600.92	8.50%	28.03%	55.85	-	<b>2,037.46</b>
Pension Trust Staff Tier 3	7,870.76	1,498.59	19.04%	736.91	9.36%	28.40%	-	-	<b>2,235.50</b>
LAFCO Tier 1	11,575.09	2,731.72	23.60%	1,570.45	13.57%	37.17%	-	-	<b>4,302.17</b>
Lump Sum Buy Backs/Adjustments									-
	<b>7,046,465.73</b>	<b>1,372,947.30</b>	<b>19.48%</b>	<b>945,849.40</b>	<b>13.42%</b>	<b>32.91%</b>	<b>8,948.87</b>	<b>2,439.03</b>	<b>\$ 2,330,184.60</b>
<b>TOTAL FOR THE MONTH</b>	<b>14,205,295.47</b>	<b>2,751,836.83</b>	<b>19.37%</b>	<b>1,925,276.05</b>	<b>13.55%</b>	<b>32.93%</b>	<b>14,284.33</b>	<b>5,142.16</b>	<b>\$ 4,696,539.37</b>
<b>TOTAL YEAR TO DATE</b>	<b>180,728,417.07</b>	<b>35,267,230.30</b>	<b>19.51%</b>	<b>24,785,111.26</b>	<b>13.71%</b>	<b>33.23%</b>	<b>195,766.06</b>	<b>281,627.02</b>	<b>60,529,734.64</b>
<b>PRIOR YEAR COMPARISON</b>	<b>175,628,909.54</b>	<b>33,401,542.79</b>	<b>19.02%</b>	<b>24,097,034.36</b>	<b>13.72%</b>	<b>32.74%</b>	<b>240,252.39</b>	<b>114,927.69</b>	<b>57,853,757.23</b>
% CHANGE FROM PRIOR YEAR	2.90%	5.59%	0.50%	2.86%	-0.01%	0.49%	-18.52%	145.05%	4.63%

This page left blank intentionally.

**REPORT OF SERVICE & DISABILITY RETIREMENTS &  
DROP PARTICIPANTS FOR THE MONTH OF:**

**DECEMBER 2016**

<b>RETIREE NAME</b>	<b>DEPARTMENT</b>	<b>DATE</b>	<b>MONTHLY ALLOWANCE</b>
ARMENTROUT, JUDY	CHILD SUPPORT SERVICES	12-16-2016	1876.00
BALLEW, DALLAS (DROP)	PUBLIC WORKS	12-01-2016	3200.97 108.88*
BLACKWELL, PATRICIA	SOCIAL SERVICES	12-02-2016	2824.62
BORLODAN, DIANE	COUNTY COUNSEL	12-31-2016	3781.04
BOZNER, LORI	RECIPROCAL / PROBATION	12-31-2016	Awaiting calcs
BYRNE, PETER	PLANNING & BUILDING	12-31-2016	Option selection
CHAPMAN, DAN	PARKS & RECREATION	12-17-2016	3210.90
COLLINS, LELAND	RECIPROCAL / SOCIAL SERVICES	12-31-2016	5236.43
COOPER, KATHYN	PROBATION	12-31-2016	Option selection
DICKEY, KIMBERLY	SOCIAL SERVICES	12-31-2016	Option selection
FIELDS, JOYCE	SOCIAL SERVICES	12-31-2016	6077.61 89.84*
FONTES, CECILIA	HUMAN RESOURCES / RISK MANAGEMENT	12-31-2016	4842.80 1721.00** 1.10*
FOX, JOHN	SHERIFF	12-29-2016	Awaiting calcs
FROEHNER, MICHAEL	SHERIFF	12-17-2016	5334.20 1.89
GOODWIN, DAVID	SHERIFF	12-31-2016	Awaiting calcs
GORDON, GAIL	SOCIAL SERVICES	12-24-2016	3001.14
HAGGIE, CHRIS	SOCIAL SERVICES	12-31-2016	6664.81
HOLLINGER, DANITA (DROP)	SOCIAL SERVICES	12-01-2016	2913.69 17.64*
HUSEBY, CAROLYN	SHERIFF	12-26-2016	2642.90
KRASSNER, DAVID	RECIPROCAL / MENTAL HEALTH	12-31-2016	Awaiting calcs
LAZIER, TIM	PUBLIC WORKS	12-31-2016	Awaiting calcs
LEANDRO, CARA	CHILD SUPPORT SERVICES	12-03-2016	1588.03
LOREDO, CARMEN	PUBLIC HEALTH	12-17-2016	3189.34
McPHEE, PATRICIA	PUBLIC WORKS	12-17-2016	5048.10 184.83*
MENDOZA-GUZMAN, PETER	AUDITOR-CONTROLLER	12-30-2016	3497.39 3.48*
MOSKOWITZ, JACUELINE	PUBLIC HEALTH	12-30-2016	Option selection
O'BRIEN, MARTIN	SHERIFF	12-03-2016	3557.19
ROSEN, NANCY	BEHAVIORAL HEALTH	12-31-2016	Option selection

RETIREE NAME	DEPARTMENT	DATE	MONTHLY ALLOWANCE
SMITH, BARRON (DROP)	PUBLIC WORKS	12-01-2016	4801.89
SMITH, KEVIN	SOCIAL SERVICES	12-31-2016	6343.83 1.11*
STAPLETON, JAMES	PUBLIC WORKS	12-31-2016	3555.59
TERRY, JAMES	RECIPROCAL / CLERK-RECORDER	12-31-2016	Awaiting calcs
WELLS, KUMIM	RECIPROCAL / PUBLIC HEALTH	12-16-2016	Awaiting calcs
WIECH, LYNN	LIBRARY	12-17-2016	Option selection
<b>ADDENDUM:</b>			
GROO, KATHERINE (Disability)	LIBRARY	04-02-2016	1227.06
GEORGE, MICHELLE	RECIPROCAL / SOCIAL SERVICES	08-05-2016	Option selection
FOX, VICKIE	LIBRARY	10-11-2016	1144.34
KEATING, THOMAS (DROP)	SHERIFF	10-01-2016	Awaiting calcs
McDONALD, JEAN	RECIPROCAL / SHERIFF	10-05-2016	Option selection
TRINIDADE, DEBBIE JO	RECIPROCAL / PUBLIC HEALTH	10-20-2016	Option selection
GRADI, NICHOLAS	RECIPROCAL / GENERAL SERVICES	11-11-2016	Awaiting calcs
MITCHELL, CHARLES	RECIPROCAL / ADMIN / RISK MANAGEMENT	11-01-2016	3787.81 79.87*

\* Employee Additional Contribution Allowance (per Sections 5.07, 27.12, 28.12, 29.12, 30.12, and 31.12 of the Plan)

\*\* Social Security Coordinated Temporary Annuity (per Section 13.06 of the Plan)

## Board of Trustees

1000 Mill Street  
San Luis Obispo, CA 93408  
Phone: (805) 781-5465  
Fax: (805) 781-5697  
www.SLOPensionTrust.org

San Luis Obispo County  
Pension Trust  
**SLOOPT**



Date: January 23, 2017  
To: Board of Trustees

From: Carl Nelson – Executive Secretary

### **Agenda Item 5: Applications & Elections to Participate in the Deferred Retirement Option Program (DROP)**

#### **Recomendation:**

It is recommended that you receive and approve the Application & Election to Participate in DROP for the individuals listed below.

#### **Discussion:**

The San Luis Obispo County Pension Trust has received an Application & Election to Participate in DROP from the following members listed below:

**FEBRUARY 1, 2017**  
**FEBRUARY 1, 2017**  
**FEBRUARY 1, 2017**

**Roberta Zimmerman, District Attorney**  
**Roy McCausland, Sheriff Department**  
**Ronnie Simons, Assessor**

This page left blank intentionally.

# Board of Trustees

1000 Mill Street  
 San Luis Obispo, CA 93408  
 Phone: (805) 781-5465  
 Fax: (805) 781-5697  
 www.SLOPensionTrust.org

San Luis Obispo County  
 Pension Trust  
**SLOOPT**



Date: January 23, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
 Amy Burke – Deputy Executive Secretary

**Agenda Item 8: Investment Report for November 2016**

	November	Year to Date 2016	2015	2014	2013	2012
Total Trust Investments (\$ 000s)	\$1,183,741		\$1,148,315 year end	\$1,190,316 year end	\$1,131,022 year end	\$1,009,432 year end
<b>Total Fund Return</b>	<b>-0.6% Gross</b>	<b>5.2% Gross</b>	-1.1 % Gross	5.1 % Gross	13.8% Gross	12.8% Gross
Policy Index Return (r)	0.3%	6.1%	-0.8 %	5.2 %	13.4%	11.6%

(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

Capital market returns are notoriously difficult to forecast. As of December 22<sup>nd</sup>, it appears that the full year 2016 rate of return for the Pension Trust may be in the 5.4% to 5.9% range – assuming no significant disruption as the year finishes.

**The Economy:**

The main factors in the global economy for November and into mid-December have been –

- **U.S. Election** – Following the surprise outcome of the November 8<sup>th</sup> US Presidential election, risk oriented capital markets reacted with alacrity to suddenly revised expectations.

Expectations in the capital markets appeared to respond to the outlook for deregulation, tax cuts (including corporate tax rates), limited trade protectionism, defense spending increases and increased Federal deficit spending. The implications of this sea-change of expectations led to increased inflation forecasts and a benign corporate profits outlook. The outlook for increased US interest rates contributed to a 2.8% run-up in the US dollar that negatively impacted returns on international equities and bonds as well. The impacts on the capital markets are best shown by the following rates of return for the month of November -

Domestic equity	S&P 500	+3.7%
Commodities	Bloomberg Commodity	+1.3%
International equity	MSCI ACWI ex USA	-2.3%
Domestic bonds	Barclays Agg	-2.4%
Global bonds	Citi World Govt. Bond	-4.6%

Market commentators on interest rates and growth have included the label on the current environment as being “A shift from “lower for longer” to reflation” which is highly descriptive.

- **Fed Policy** – The Fed finally resumed some measure of rate normalization as expected at their December meeting with an increase in the Fed Funds target rate of 0.25% to a range of 0.50% to 0.75%. As a long expected increase the impact on the bond markets was neutral after the significant uptick in rates immediately following the November 8<sup>th</sup> election. The Fed’s comments reflected a cautious, balanced outlook on economic risk. With unemployment moving below 5% (i.e., full employment), signs of payroll growth, manufacturing activity growth, increasing consumer confidence, real GDP growth in 3Q16 of 3.2% and inflation increasing closer to the targeted 2% rate, the Fed had ample support for a rate increase. The Fed also adopted a more hawkish tone on future rate increases projecting three 0.25% rate increases expected in 2017.
- **Economic Growth – domestic** – After 2016 GDP growth rates of 1Q16 GDP = 0.8%, 2Q16 GDP = 1.4%, 3Q16 growth came in at a stronger than expected 3.2% on preliminary reports. The Fed forecast presently expects a modest, but positive +2.1% GDP growth in 2017. The report on consumer confidence by the Conference Board rose to the highest level in nine years at an October index of 107.1 – up from 100.8 in September. The Conference Board survey was pre-election, but they report preliminary November survey results as being similar to pre-election results.
- **Employment** - The US unemployment rate took a larger than expected dip in November to 4.6%. Employment continued to improve in November, with a 178k increase in nonfarm payrolls.
- **Oil Prices** – The Energy sector rebounded at the end of November when OPEC announced the first agreement since 2008 to limit production to shore up flagging oil prices. The reported agreement included a large reduction in Saudi production and the freezing of Iranian production at pre-sanctions levels. On news of the agreement, oil prices that had been trading in the \$46/barrel range jumped 8% to near \$50/barrel.

## **Investment Markets:**

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of November.

The post-election rally in domestic equity returns gave good US equity returns in November and into mid December. However, the negative impacts of an increasing and steepening yield curve on bond prices, gave negative returns. Also the flat outlook for international equities and the impact of a strengthening dollar led to negative returns there as well. The combination of increasing rates and a strong dollar particularly impacted international bonds negatively. The net impact on the Pension Trust was a November rate of return of -0.6% for a YTD return of 5.2%.

This page left blank intentionally.

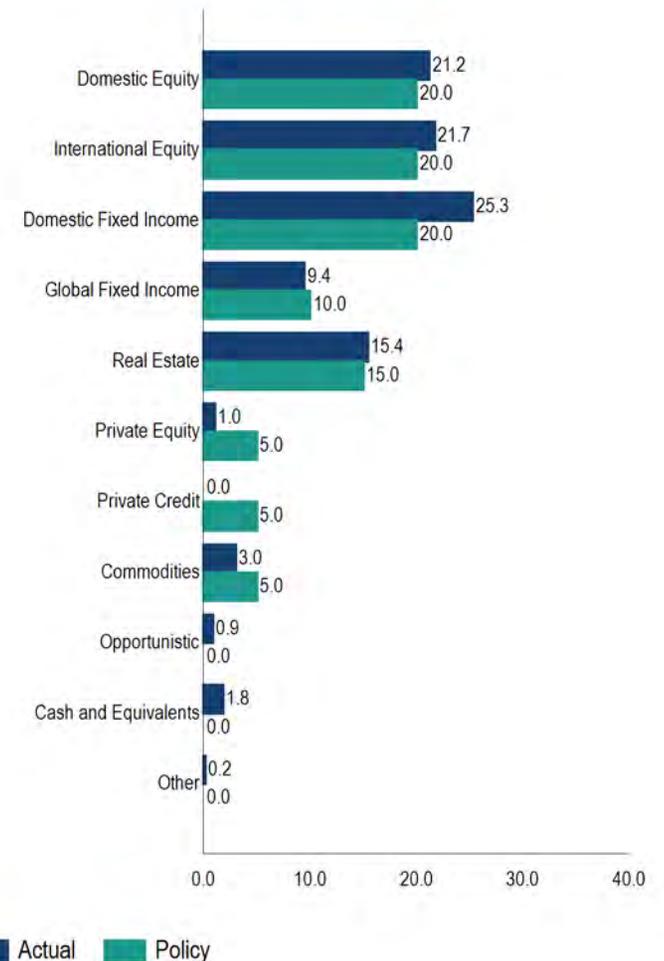
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: November 30, 2016

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,183,741,225</b>	<b>100.0</b>	<b>-0.6</b>	<b>5.2</b>
Total Fund ex Clifton	1,181,916,364	99.8	-0.6	5.2
Policy Index			0.3	6.1
<b>Total Domestic Equity</b>	<b>251,004,267</b>	<b>21.2</b>	<b>4.4</b>	<b>10.6</b>
Russell 3000			4.5	10.6
SSGA S&P 500 Flag.	153,476,480	13.0	3.7	9.9
S&P 500			3.7	9.8
PIMCO RAE Fundamental PLUS Instl	49,151,297	4.2	5.7	13.8
S&P 500			3.7	9.8
Atlanta Capital Mgmt	48,376,490	4.1	5.4	10.5
Russell 2500			8.5	15.3
<b>Total International Equity</b>	<b>257,076,214</b>	<b>21.7</b>	<b>-2.8</b>	<b>0.2</b>
MSCI ACWI ex USA Gross			-2.3	2.4
Dodge & Cox Intl Stock	135,421,347	11.4	-0.6	6.3
MSCI EAFE Gross			-2.0	-1.9
Vontobel	121,654,867	10.3	-5.2	-5.8
MSCI EAFE Gross			-2.0	-1.9
<b>Total Domestic Fixed Income</b>	<b>299,189,206</b>	<b>25.3</b>	<b>-1.8</b>	<b>4.1</b>
BBgBarc US Aggregate TR			-2.4	2.5
PIMCO Core Plus	185,446,778	15.7	-2.5	2.7
BBgBarc US Aggregate TR			-2.4	2.5
Pacific Asset Corporate Loan	64,791,021	5.5	0.4	7.5
S&P/LSTA Leveraged Loan Index			0.3	8.9
SSGA TIPS	48,951,408	4.1	-1.9	4.8
BBgBarc US TIPS TR			-1.9	4.8
<b>Total Global Fixed</b>	<b>111,841,828</b>	<b>9.4</b>	<b>-6.2</b>	<b>4.7</b>
Citi World Govt Bond Index			-4.6	2.3
Brandywine Global Fixed Income	57,639,138	4.9	-5.1	2.0
JPM GBI Global TR USD			-4.4	2.2
Stone Harbor Local Markets Ins	54,202,691	4.6	-7.3	7.8
JPM GBI-EM Global Diversified TR USD			-7.0	7.9

Actual vs Target Allocation (%)



\*Other balance represents Clifton Group.

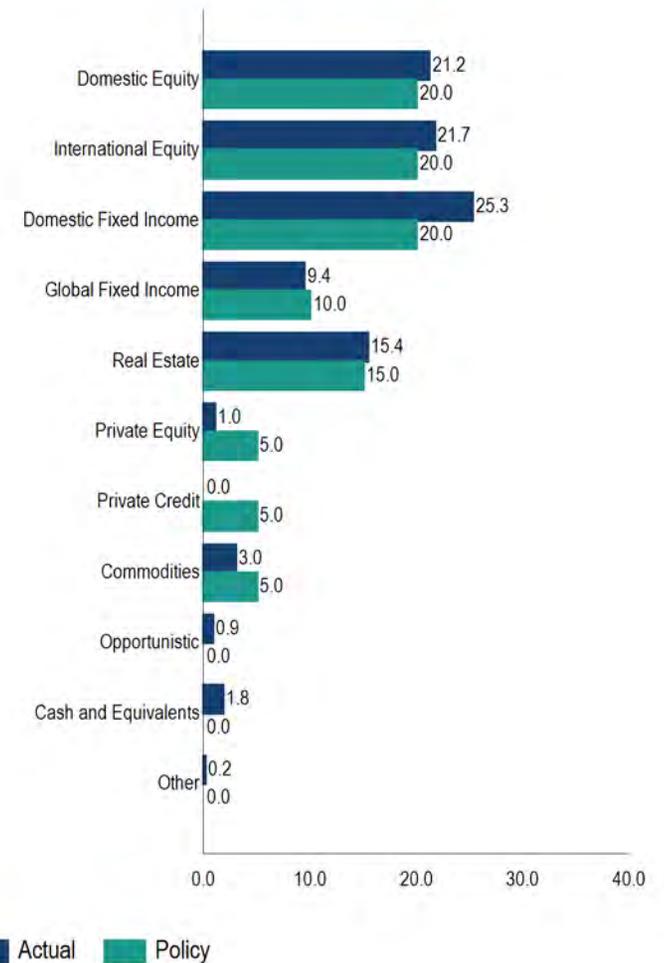
New Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 10% Russell 3000 + 300 bp. Stone Harbor funded 7/9/13. Gresham TAP funded 8/30/13. Pacific Asset funded 9/1/2014. Mason Equity and Mason High Income liquidated on 6/15/2015. Research Affiliates US Large Cap transitioned to PIMCO RAE (Research Affiliates Equity) Fundamental PLUS Fund Instl on 6/5/2015. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 9/30/2016. Fidelity Real Estate Growth II liquidated 12/31/2015. All data is preliminary.

San Luis Obispo County Pension Trust  
Executive Summary - Preliminary (Gross of Fees)

Period Ending: November 30, 2016

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Real Estate</b>	<b>182,672,293</b>	<b>15.4</b>	<b>0.6</b>	<b>7.0</b>
<i>NCREIF Property Index</i>				
ARA American Strategic Value Realty	7,627,048	0.6	0.0	--
<i>NCREIF-ODCE</i>				
<i>NCREIF Property Index</i>				
Direct Real Estate	33,941,602	2.9	0.0	5.5
<i>NCREIF-ODCE</i>				
<i>NCREIF Property Index</i>				
JP Morgan Core Real Estate	139,902,851	11.8	0.8	7.6
<i>NCREIF-ODCE</i>				
<i>NCREIF Property Index</i>				
Fidelity Real Estate Growth III	1,200,792	0.1	0.5	5.3
<i>NCREIF-ODCE</i>				
<i>NCREIF Property Index</i>				
<b>Total Commodities</b>	<b>35,870,362</b>	<b>3.0</b>	<b>2.7</b>	<b>10.6</b>
<i>Bloomberg Commodity Index TR USD</i>				
Gresham MTAP Commodity Builder	35,870,362	3.0	2.7	10.6
<i>Bloomberg Commodity Index TR USD</i>				
<b>Total Private Equity</b>	<b>12,386,264</b>	<b>1.0</b>		
Harbourvest Partners IX Buyout Fund L.P.	12,386,264	1.0		
<i>Russell 3000 + 3%</i>				
<b>Total Cash</b>	<b>21,458,435</b>	<b>1.8</b>	<b>0.0</b>	<b>0.5</b>
<i>91 Day T-Bills</i>				
Cash Account	21,458,435	1.8	0.0	0.5
<i>91 Day T-Bills</i>				
<b>Total Opportunistic</b>	<b>10,417,495</b>	<b>0.9</b>		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	8,154,316	0.7		
<i>CPI + 5%</i>				
PIMCO Distressed Credit Fund	2,263,179	0.2		
<i>CPI + 5%</i>				

Actual vs Target Allocation (%)



\*Other balance represents Clifton Group.

New Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 10% Russell 3000 + 300 bp. Stone Harbor funded 7/9/13. Gresham TAP funded 8/30/13. Pacific Asset funded 9/1/2014. Mason Equity and Mason High Income liquidated on 6/15/2015. Research Affiliates US Large Cap transitioned to PIMCO RAE (Research Affiliates Equity) Fundamental PLUS Fund Instl on 6/5/2015. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 9/30/2016. Fidelity Real Estate Growth II liquidated 12/31/2015. All data is preliminary.



**PERSPECTIVES**  
**THAT DRIVE**  
**ENTERPRISE**  
**SUCCESS**

NOVEMBER 2016  
Capital Markets Update

# Market commentary

## ECONOMIC CLIMATE

- Real GDP was revised upwards from a 2.9% to a 3.2% annualized rate in the third quarter. The increase was attributed to a larger than expected increase in consumer spending.
- The U.S. dollar appreciated in November, as the trade weighted U.S. dollar index increased 2.8% from the previous month against a basket of major currencies.
- Headline CPI increased by 1.6% year-over-year in October, up 17 bps from the prior month. Higher energy prices contributed to the rise in overall price level. Core CPI increased by 2.2% over the previous year.
- Existing home sales increased to an annualized rate of 5.6 million homes in October, above the consensus estimate of 5.4 million and an increase of 5.9% year-over-year.
- Nonfarm payrolls added 178,000 jobs in November, slightly above the consensus estimate of 170,000. The unemployment rate fell from 4.9% to 4.6%, the lowest level since 2007. However, the drop in unemployment was partially influenced by a reduction in the participation rate, from 62.8% to 62.7%.

## DOMESTIC EQUITIES

- U.S. equity index futures were volatile on the night of the presidential election, when S&P 500 futures dropped more than 5% before largely recovering by market open. The S&P 500 then rallied to end the month with a 3.7% total return.
- Higher equity prices were likely influenced by the combination of Trump's proposals to increase fiscal stimulus, lower corporate tax rates, and decrease regulation for certain industries.

## DOMESTIC FIXED INCOME

- U.S. interest rates increased in the month of November. The 10-Year Treasury yield increased 53 bps to 2.37%, the highest rate since July 2015.
- The rise in nominal interest rates was affected by an increase in inflation expectations. The 10-year TIPS breakeven jumped 21 bps after the election results and finished the month at 1.94%.
- The U.S. Treasury curve steepened for the third straight month, with the 10-year minus 2-year Treasury yield spread expanding from 0.98% to 1.26% in November.

## INTERNATIONAL MARKETS

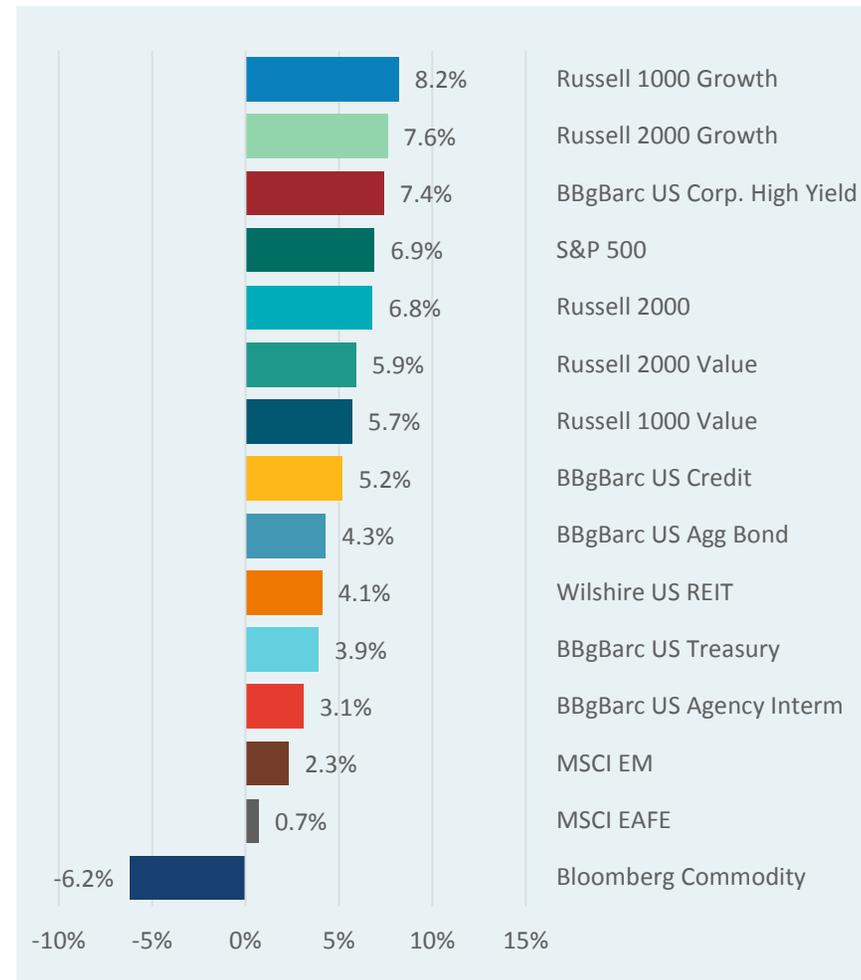
- International equities underperformed domestic markets in November (S&P 500 3.7%), as the MSCI ACWI ex US returned -2.3%.
- The final release of Japan's third quarter GDP showed the real economy grew by 1.3% annualized, above consensus forecasts of 0.8%. The majority of growth was due to strong trade figures as imports fell and exports rose during the period.
- Emerging market equities underperformed international developed equities in November (MSCI EM -4.6%). This was partially influenced by the depreciation of emerging market currencies relative to the U.S. dollar. The MSCI EM Currency index returned -2.6% during the month.
- China's State Council announced new measures to increase scrutiny of overseas deals by Chinese companies and state owned firms in excess of \$1 billion dollars, likely a move slow the trends of capital flight and yuan devaluation.

# Major asset class returns

ONE YEAR ENDING NOVEMBER



TEN YEARS ENDING NOVEMBER



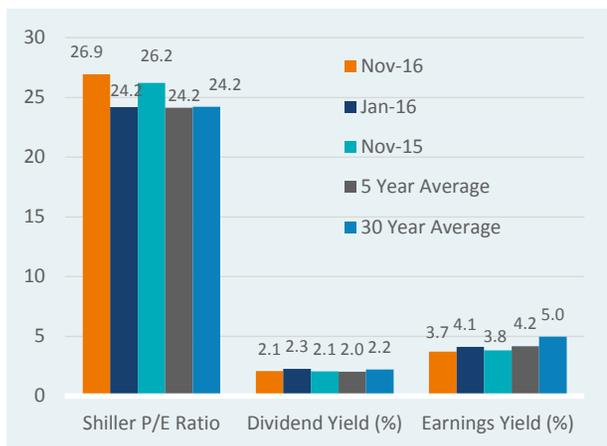
Source: Morningstar, as of 11/30/16

Source: Morningstar, as of 11/30/16

# U.S. large cap equities

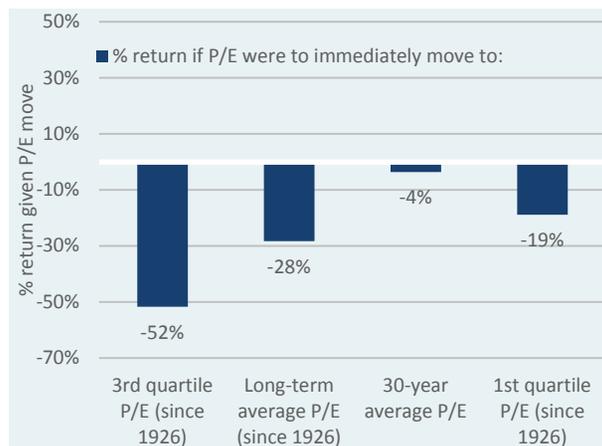
- The S&P 500 returned 3.7% in November, the largest monthly return since March.
- According to FactSet, the estimated Q4 year-over-year earnings growth rate for the S&P 500 was 3.0% as of December 9<sup>th</sup>. This was revised down from a previous estimate of 5.2% at the end of September.
- Financial stocks led the S&P 500 in November, returning 13.9%. Rising interest rates, a steepening of the yield curve, and the prospects of deregulation from the new political administration likely contributed to the outperformance.
- The two worst performing sectors were Consumer Staples and Utilities, returning -4.3% and -5.4%, respectively.
- The forward 1-year P/E ratio of the S&P 500 increased from 17.5 to 18.5 in November as earnings estimates decreased and the index rose.

US LARGE CAP (S&P 500) VALUATION SNAPSHOT



Source: Yale/Shiller, as of 11/30/16

RETURNS IF P/E MOVED TO HISTORIC LEVEL



Source: Yale/Shiller, Verus, as of 11/30/16

S&P 500 VALUATION SNAPSHOT



Source: Standard & Poor's, as of 11/30/16

# Fixed income

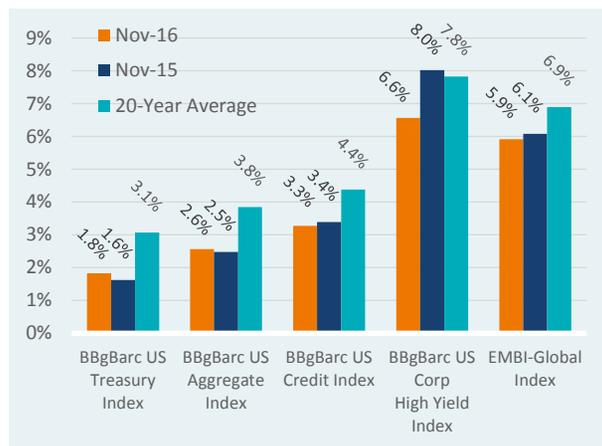
- The Bloomberg Barclays U.S. Aggregate index returned -2.4% in November as yields continued to rise.
- The U.S. Treasury yield curve shifted upwards and steepened in November, as the 10-Year Treasury yield increased from 1.84% to 2.37%, and the 10-year minus the 2-year Treasury yield expanded from 0.98% to 1.26%.
- For the fourth consecutive month, long duration strategies have underperformed the overall U.S. fixed income sector. The Bloomberg Barclays Treasury Long index fell by -7.4% in November, though the year-to-date return remained positive at 1.9%.
- Among the major fixed income indices listed below, all current nominal yields remain below their 20-year average.

**U.S. TREASURY YIELD CURVE**



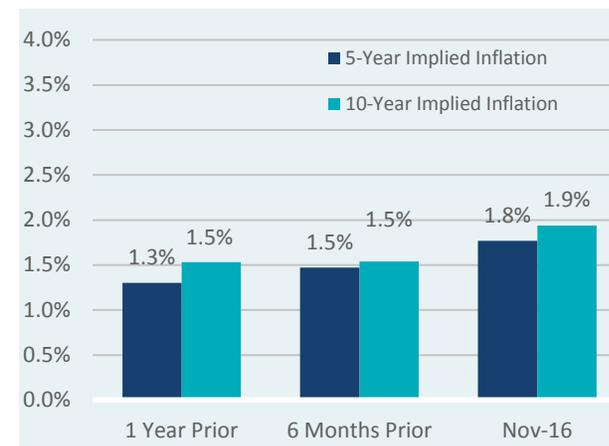
Source: Federal Reserve, as of 11/30/16

**NOMINAL FIXED INCOME YIELDS**



Source: Morningstar, as of 11/30/16

**IMPLIED INFLATION (TIPS BREAK-EVEN)**



Source: Federal Reserve, as of 11/30/16

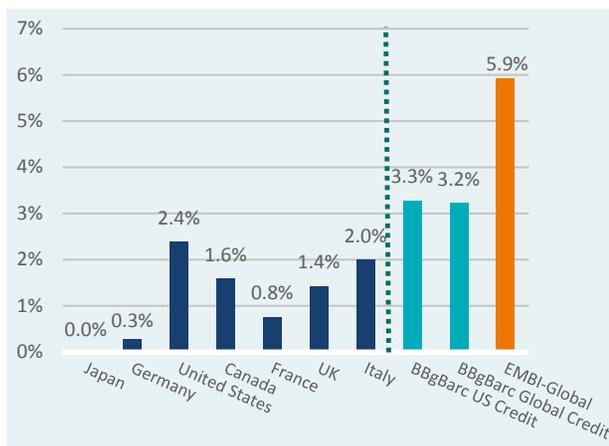
# Global markets

- Japan's 10-year government bond yield ended the month of November just above 0%, its first positive yield since the country adopted a negative interest rate policy in January. As of November 30<sup>th</sup>, all G7 countries had a 10-year government bond with a yield above zero percent.
- Emerging market equities and fixed income were negatively affected by a stronger dollar and rising U.S. interest rates, in addition to the possibility of more protectionist U.S. trade policies. The MSCI

Emerging Markets index and the JPM GBI-EM bond index returned -4.6% and -7.0%, respectively.

- Brazil's Q3 real GDP contracted by -2.9% year-over-year. In response to the continued economic recession and political turmoil, the central bank implemented its second rate cut of 2016, trimming the overnight lending rate to 13.75%.

**GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS**



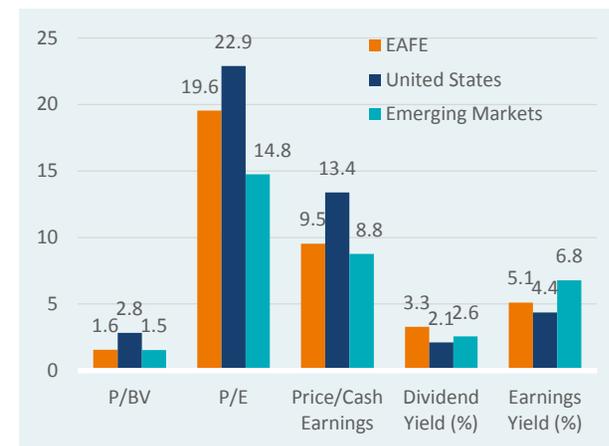
Source: Morningstar, as of 11/30/16

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 11/30/16

**MSCI VALUATION METRICS (3 MONTH AVERAGE)**



Source: MSCI, as of 11/30/16

# Style tilts: U.S. large value vs. growth

- Value equities outperformed growth equities in November as the Russell 1000 Value index and Russell 1000 Growth index returned 5.7% and 2.2%, respectively.
- The relative P/E ratio of value to growth stocks has shown little deviation in recent months, finishing the month up at 0.88. This metric remains modestly above its long-term average of 0.77.
- The possible reemergence of the value premium is relatively new. After a long period of growth outperformance, value equities have achieved excess returns of 8.7% year-to-date.

## RELATIVE PE RATIO OF U.S. VALUE VS. GROWTH



Source: Russell, Bloomberg, as of 11/30/16

## U.S. VALUE VS. GROWTH ABSOLUTE PERFORMANCE

	RUSSELL 1000 GROWTH ANNUALIZED RETURN TO DATE %	RUSSELL 1000 VALUE ANNUALIZED RETURN TO DATE %
QTD	(0.2)	4.1
YTD	5.8	14.5
1 YEAR	4.2	12.0
3 YEARS	9.1	8.6
5 YEARS	14.1	14.7
10 YEARS	8.2	5.7
20 YEARS	6.7	8.1
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.81	0.80
5 YEARS	1.26	1.34
10 YEARS	0.54	0.38
20 YEARS	0.33	0.45

Source: Morningstar, as of 11/30/16

## U.S. VALUE VS GROWTH RELATIVE PERFORMANCE



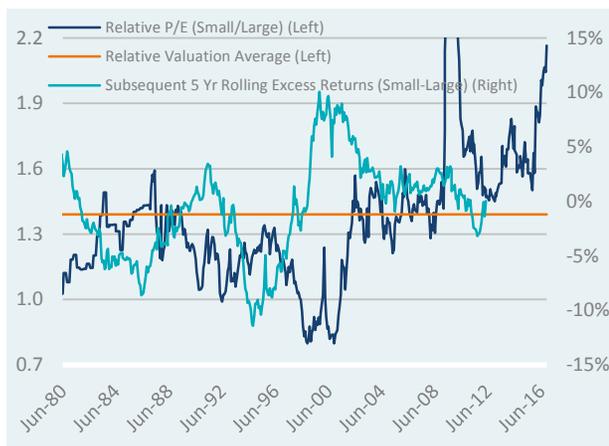
Source: Morningstar, as of 11/30/16

# Style tilts: U.S. large vs. small

- U.S. small cap equities outperformed large cap equities in November, as the Russell 2000 index and Russell 1000 index returned 11.2% and 3.9%, respectively. The Russell 2000 index has outperformed the Russell 1000 index by 8.0% so far this year.
- Recent small cap stock outperformance may be partially attributable to an insulation effect relative to large cap stocks from currency volatility and

- foreign trade policy uncertainty.
- The relative P/E ratio of small to large cap equities expanded in November from 2.04 to 2.17, well above the long-term average of 1.39, suggesting small cap stocks may be relatively overvalued.
- As measured by the Sharpe ratio, growth large cap stocks have provided superior risk adjusted returns over the intermediate and long-term periods.

**RELATIVE PE RATIO OF U.S. SMALL VS. LARGE**



Source: Russell, Bloomberg, as of 11/30/16

**U.S. LARGE VS. SMALL ABSOLUTE PERFORMANCE**

	RUSSELL 1000 INDEX ANNUALIZED RETURN TO DATE %	RUSSELL 2000 INDEX ANNUALIZED RETURN TO DATE %
QTD	1.9	5.9
YTD	10.0	18.0
1 YEAR	8.0	12.1
3 YEARS	8.9	6.5
5 YEARS	14.5	14.0
10 YEARS	7.0	6.8
20 YEARS	7.7	8.2
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.83	0.46
5 YEARS	1.34	0.97
10 YEARS	0.47	0.39
20 YEARS	0.41	0.39

Source: Morningstar, as of 11/30/16

**U.S. SMALL VS LARGE RELATIVE PERFORMANCE**



Source: Morningstar, as of 11/30/16

# Commodities

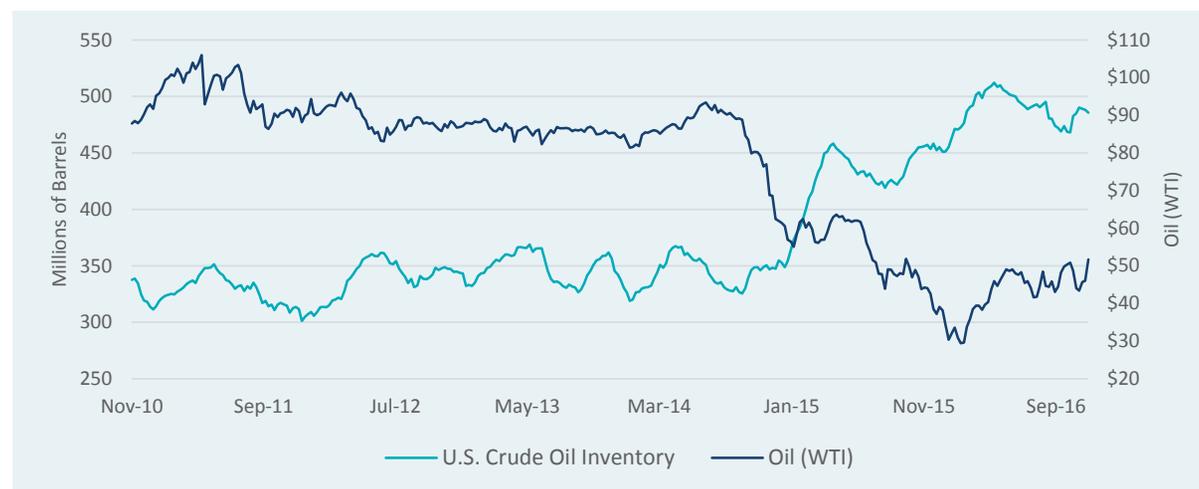
- OPEC and non-OPEC countries agreed to cut production for the first time in eight years in November. In the agreement, referred to as the Algiers Accord, OPEC will reduce output by around 1.2 million barrels a day by January to cut overall oil production to 32.5 million barrels a day.
- The price of WTI Crude Oil rose by 5.5% in the month and ended at \$49.44 per barrel.
- The Bloomberg Industrial Metals index was the top performing commodity sector, returning 11.8% in November and 26.3% year-to-date, possibly influenced by increased expectations in manufacturing and infrastructure spending.
- The Bloomberg Precious Metals index was the worst performing commodity sector QTD, returning -11.9%. Gold Bullion ended the month at its lowest mark since February, at \$1,187.40 per ounce.

## INDEX AND SECTOR PERFORMANCE

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	0.8	9.8	6.4	(11.4)	(10.0)	(6.2)
Bloomberg Agriculture	0.2	4.5	3.4	(8.0)	(5.8)	(1.0)
Bloomberg Energy	1.4	6.6	(4.6)	(25.4)	(18.7)	(17.4)
Bloomberg Grains	2.1	(5.3)	(7.7)	(12.7)	(6.3)	(2.5)
Bloomberg Industrial Metals	11.8	26.3	30.6	(3.4)	(6.5)	(6.0)
Bloomberg Livestock	9.8	(14.2)	(10.7)	(8.7)	(7.1)	(8.3)
Bloomberg Petroleum	0.2	8.3	(7.3)	(27.2)	(17.3)	(10.5)
Bloomberg Precious Metals	(12.1)	11.9	11.0	(3.8)	(9.6)	4.3
Bloomberg Softs	(7.8)	17.5	20.6	(1.8)	(9.7)	(1.6)

Source: Morningstar, as of 11/30/16

## WTI CRUDE OIL VS. U.S. TOTAL CRUDE OIL INVENTORY



Source: Bloomberg, as of 11/30/16

# Appendix

# Periodic table of returns

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD	5-Year	10-Year
Small Cap Value	74.8	16.6	38.4	23.2	35.2	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	10.1	26.5	14.7	8.2
Small Cap Equity	32.9	8.1	37.8	23.1	32.9	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	18.0	14.5	7.6
Large Cap Value	26.3	6.4	37.2	22.4	31.8	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	14.5	14.5	7.2
Emerging Markets Equity	23.8	4.4	31.0	21.6	30.5	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	10.9	14.1	7.0
Large Cap Equity	19.3	3.2	28.5	21.4	22.4	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	10.0	14.0	6.8
Small Cap Growth	18.9	2.6	25.7	16.5	16.2	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	9.8	13.4	5.9
Commodities	18.1	0.4	19.6	14.4	13.9	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	9.8	11.2	5.7
Real Estate	13.4	-1.5	18.5	11.3	12.9	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	6.1	5.6	4.3
Large Cap Growth	10.2	-1.8	15.2	10.3	10.6	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	5.8	5.6	3.7
60/40 Global Portfolio	9.7	-2.0	11.6	9.9	9.7	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	4.5	3.1	2.3
US Bonds	3.1	-2.4	11.1	6.4	5.2	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.5	2.4	1.4
Cash	2.9	-2.9	7.5	6.0	2.1	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	0.3	1.0	0.7
Hedge Funds of Funds	1.4	-3.5	5.7	5.1	-3.4	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	-0.7	0.1	0.7
International Equity	-1.1	-7.3	-5.2	3.6	-11.6	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	-2.3	-10.0	-6.2

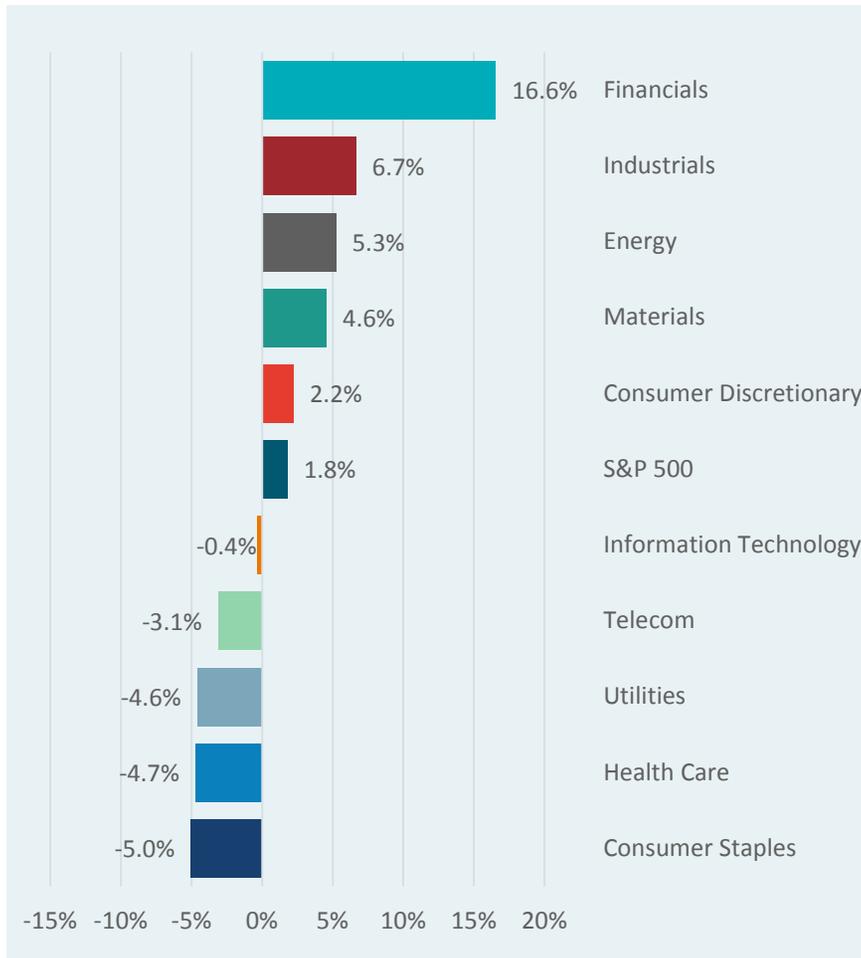
WORST

- Large Cap Equity
- Small Cap Growth
- Commodities
- Large Cap Value
- International Equity
- Real Estate
- Large Cap Growth
- Emerging Markets Equity
- Hedge Funds of Funds
- US Bonds
- 60% MSCI ACWI/40% BBgBarc Global Bond
- Cash

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 9/30/16.

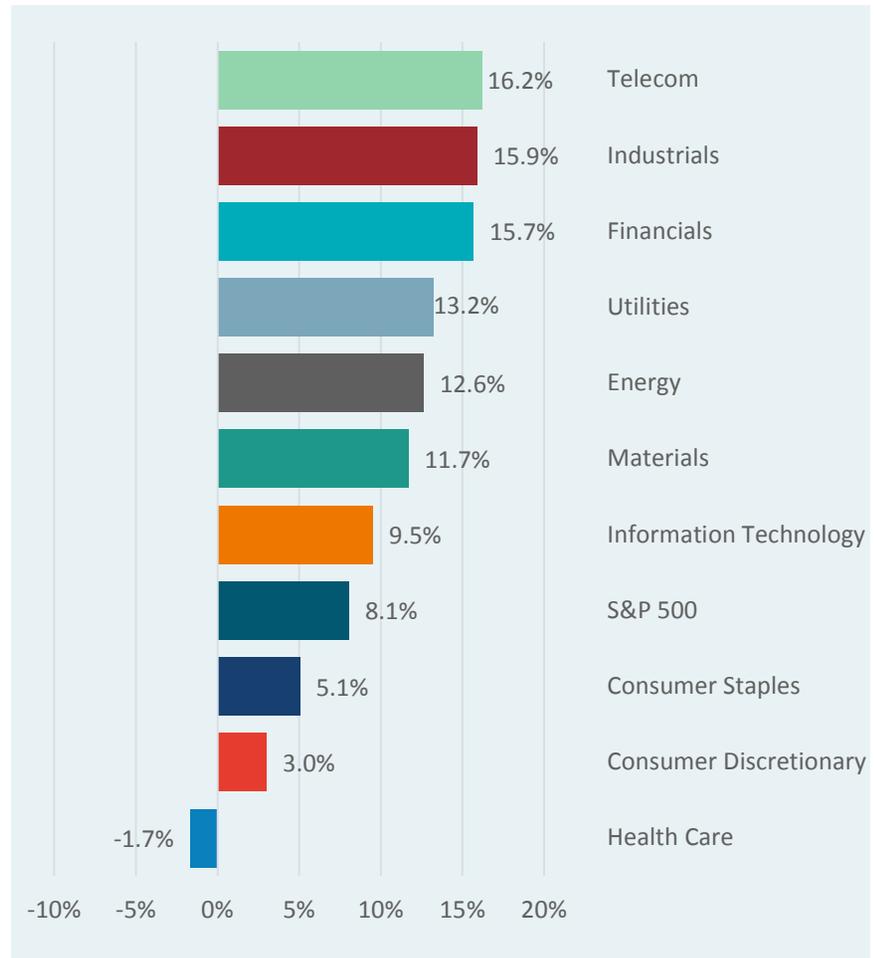
# S&P 500 and S&P 500 sector returns

QTD



Source: Morningstar, as of 11/30/16

ONE YEAR ENDING NOVEMBER



Source: Morningstar, as of 11/30/16

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	3.7	1.8	9.8	8.1	9.1	14.4	6.9
S&P 500 Equal Weighted	5.2	2.7	13.5	10.9	9.4	15.3	8.4
DJ Industrial Average	5.9	5.0	12.6	10.9	8.6	12.5	7.4
Russell Top 200	3.4	1.9	9.0	7.4	9.0	14.5	6.7
Russell 1000	3.9	1.9	10.0	8.0	8.9	14.5	7.0
Russell 2000	11.2	5.9	18.0	12.1	6.5	14.0	6.8
Russell 3000	4.5	2.2	10.6	8.3	8.7	14.4	7.0
Russell Mid Cap	5.4	2.0	12.5	9.5	8.6	14.4	7.7
<b>Style Index</b>							
Russell 1000 Growth	2.2	(0.2)	5.8	4.2	9.1	14.1	8.2
Russell 1000 Value	5.7	4.1	14.5	12.0	8.6	14.7	5.7
Russell 2000 Growth	8.9	2.2	9.8	4.6	5.3	13.4	7.6
Russell 2000 Value	13.3	9.5	26.5	19.8	7.5	14.5	5.9

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	0.8	(1.0)	5.6	3.7	3.0	8.9	3.6
MSCI ACWI ex US	(2.3)	(3.7)	1.9	(0.0)	(2.3)	4.2	1.0
MSCI EAFE	(2.0)	(4.0)	(2.3)	(3.7)	(2.2)	5.6	0.7
MSCI EM	(4.6)	(4.4)	10.9	8.5	(3.1)	1.0	2.3
MSCI EAFE Small Cap	(2.8)	(5.6)	(0.7)	0.1	1.9	9.5	3.0
<b>Style Index</b>							
MSCI EAFE Growth	(3.4)	(7.6)	(5.1)	(5.9)	(1.4)	5.9	1.7
MSCI EAFE Value	(0.6)	(0.4)	0.4	(1.5)	(3.2)	5.2	(0.3)
<b>Regional Index</b>							
MSCI UK	0.3	(4.8)	(4.1)	(7.8)	(4.8)	3.1	0.2
MSCI Japan	(2.4)	(1.1)	1.4	1.7	2.4	8.1	0.7
MSCI Euro	(3.5)	(4.4)	(4.9)	(8.2)	(4.8)	4.9	(1.0)
MSCI EM Asia	(3.3)	(4.7)	7.7	6.9	0.2	4.8	4.0
MSCI EM Latin American	(10.6)	(1.7)	29.9	24.4	(8.5)	(6.2)	0.9

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
BBgBarc US Treasury USTIPS	(1.9)	(2.3)	4.8	4.0	1.8	0.9	4.1
BBgBarc US Treasury Bills	0.0	0.0	0.3	0.4	0.2	0.1	0.9
BBgBarc US Agg Bond	(2.4)	(3.1)	2.5	2.2	2.8	2.4	4.3
<b>Duration</b>							
BBgBarc US Treasury 1-3 Yr	(0.4)	(0.5)	0.8	0.7	0.6	0.6	2.1
BBgBarc US Treasury Long	(7.4)	(11.2)	1.9	1.9	7.3	3.3	6.5
BBgBarc US Treasury	(2.7)	(3.7)	1.1	1.0	2.0	1.4	3.9
<b>Issuer</b>							
BBgBarc US MBS	(1.7)	(2.0)	1.7	1.6	2.9	2.2	4.2
BBgBarc US Corp. High Yield	(0.5)	(0.1)	15.0	12.1	4.2	7.5	7.4
BBgBarc US Agency Interm	(0.9)	(1.1)	1.2	1.0	1.3	1.2	3.1
BBgBarc US Credit	(2.7)	(3.6)	5.0	4.2	3.8	4.1	5.2

## OTHER

<b>Index</b>							
Bloomberg Commodity	1.3	0.8	9.8	6.4	(11.4)	(10.0)	(6.2)
Wilshire US REIT	(1.3)	(6.8)	2.3	4.3	12.2	12.0	4.1
<b>Regional Index</b>							
JPM EMBI Global Div	(4.1)	(5.3)	8.7	7.2	5.9	5.9	6.8
JPM GBI-EM Global Div	(7.0)	(7.8)	7.9	5.5	(4.9)	(1.9)	3.9
<b>Currency (Spot)</b>							
Euro	(3.2)	(5.6)	(2.3)	0.4	(8.0)	(4.7)	(2.2)
Pound	2.3	(3.8)	(15.2)	(17.0)	(8.6)	(4.5)	(4.4)
Yen	(7.8)	(11.1)	5.6	8.2	(3.5)	(7.4)	0.1

Source: Morningstar, as of 11/30/16

# Notices & disclosures

***Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. and Verus Investors, LLC (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. and Verus Investors, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## Board of Trustees

1000 Mill Street  
San Luis Obispo, CA 93408  
Phone: (805) 781-5465  
Fax: (805) 781-5697  
www.SLOPensionTrust.org

San Luis Obispo County  
Pension Trust  
**SLOCPT**



Date: January 23, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary

### **Agenda Item 9: Investment and Banking Authority**

#### **Recommendation:**

Staff recommends that the Board approve and adopt the attached Resolution 2017-01 and accompanying Incumbency Certificate designating authorized signers for various investment and banking relationships.

#### **Discussion:**

In the normal course of conducting investment and banking business, the SLOCPT is sometimes required to produce a corporate resolution that documents authorized signers. These designations are necessary to the everyday operations of the SLOCPT. The Board last approved and adopted such documents at the regular meeting of June 27, 2016. It was determined that more recent documents may be required when initiating new or updating existing investment and banking relationships.

The attached Resolution 2017-01 and its referenced Incumbency Certificate provide such a certification. The approval of a resolution of this type is anticipated to be a routine item before the Board of Trustees or whenever authorized signers are changed.

Respectfully Submitted,

Carl Nelson  
Executive Secretary

Amy Burke  
Deputy Executive Secretary

This page left blank intentionally.

**SAN LUIS OBISPO COUNTY  
PENSION TRUST**

PRESENT: Matt Janssen, Jeff Hamm, Guy Savage, James Hamilton, Gere Sibbach, Will Clemens, James Erb

ABSENT:

**RESOLUTION NO. 2017-01**

**A Resolution Affirming Investment and Banking Authority**

Whereas, the San Luis Obispo County Pension Trust conducts investment and banking activities as part of its normal course of business and finds it necessary to affirm and/or appoint which of its officers and employees are authorized signers for such activities.

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED AS FOLLOWS:**

The attached San Luis Obispo County Pension Trust Investment and Banking Authority Incumbency Certificate dated January 23, 2017, is hereby approved.

Adopted: January 23, 2017

Approved as to Form and Legal Effect

\_\_\_\_\_  
Chris Waddell  
General Counsel

SIGNED: \_\_\_\_\_  
Matt Janssen  
President, Board of Trustees  
San Luis Obispo County Pension Trust

ATTEST: \_\_\_\_\_  
Carl Nelson, Executive Secretary

This page left blank intentionally.

# Board of Trustees

1000 Mill Street  
San Luis Obispo, CA 93408  
Phone: (805) 781-5465  
Fax: (805) 781-5697  
www.SLOPensionTrust.org

San Luis Obispo County  
Pension Trust  
**SLOCPT**



## Investment and Banking Authority Incumbency Certificate

Effective Date: January 23, 2017  
Date of Certification: January 23, 2017

The undersigned, being an officer of the Board of Trustees of the San Luis Obispo County Pension Trust (“SLOCPT”), organized under the laws of the State of California does hereby certify on behalf of the SLOCPT that the persons named below are officers or other designated staff members of the SLOCPT and that the title and signature at the right of said name, respectively, are the true title and genuine signature of said person and that the persons listed below are each an authorized signatory for the SLOCPT for **any and all investment and banking related matters**.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Carl A. Nelson	Executive Secretary	_____
Amy Burke	Deputy Executive Secretary	_____
Andrea Paley	Retirement Program Specialist	_____
Debra Villalon	System Coordinator	_____

Furthermore, the undersigned does certify that the SLOCPT’s Board of Trustees as of the date noted above are:

Matt Janssen, President  
Will Clemens, Vice President  
Guy Savage  
James Hamilton

James Erb  
Jeff Hamm  
Gere Sibbach

Signed: \_\_\_\_\_  
Matt Janssen, President  
San Luis Obispo County Pension Trust  
Board of Trustees

Date: \_\_\_\_\_

This page left blank intentionally.

**SAN LUIS OBISPO COUNTY  
PENSION TRUST**

**RESOLUTION NO. 2017-02**

**A Resolution Honoring Tom Winfield for  
Service to the Pension Trust**

**Whereas**, Tom Winfield has served the San Luis Obispo County Pension Trust well and honorably as Litigation Counsel for over 17 years; and

**Whereas**, Tom has represented the San Luis Obispo County Pension Trust as legal counsel in two complex litigation cases as an able “Field General” in such confrontations; and

**Whereas**, Tom has brought to the litigation field of battle the creativity and moxie to prevail in an action over complex actuarial negligence issues that lesser attorneys despaired over; and

**Whereas**, Tom is committed to his craft and stood by a small pension fund standing up to a large actuarial firm to win and thereby improved the standard of practice in the actuarial industry; and

**Whereas**, Tom has demonstrated those attributes central to the mission of the Pension Trust – honesty, integrity and dedication to the Trust, its members, participants and plan sponsors.

**Now, Therefore Be It Resolved and Ordered as follows:**

That this Board of Trustees hereby does thank, recognize, commend, congratulate and honor Tom Winfield for his loyal service to the Trust. In addition, the Trustees wish Tom a long and satisfying retirement.

Adopted: January 23, 2017

SIGNED: \_\_\_\_\_  
Matt Janssen  
President, Board of Trustees  
San Luis Obispo County Pension Trust

ATTEST: \_\_\_\_\_  
Carl Nelson  
Executive Secretary

This page left blank intentionally.

# Board of Trustees

1000 Mill Street  
San Luis Obispo, CA 93408  
Phone: (805) 781-5465  
Fax: (805) 781-5697  
www.SLOPensionTrust.org

San Luis Obispo County  
Pension Trust  
**SLOOPT**



Date: January 23, 2015

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary  
Chris Waddell – General Counsel

## **Agenda Item Number 12: Disability Hearing Process**

### **Recommendation:**

Staff and the General Counsel recommend that the Board discuss and provide direction regarding the potential adoption at a future Board meeting of a modification to the current disability application hearing process that would result in matters that first being sent to a hearing officer, who would make evidentiary findings and issue a proposed decision before the matter is submitted to the Board for a final decision.

### **Discussion:**

Under Section 3.04(b) of Appendix E of the San Luis Obispo County Employees Retirement Plan (“Plan”), if the Executive Secretary is not satisfied with the medical reports and documents submitted in support of an application for Disability, including applications for Industrial Disability, the Executive Secretary shall make no recommendation as to the application and shall set the matter for hearing before the Board of Trustees.

As the Board has discussed previously, Appendix E of the Pension Trust Plan sets forth a detailed, “trial type” hearing process before the Board of Trustees and provides that the Board President is to serve as the Presiding Officer at such hearings and in that capacity is to fulfill quasi-judicial responsibilities such as overseeing the examination and cross-examination of witnesses and ruling on the admissibility of evidence.

The existing procedure was adopted in 1973 by the Board of Supervisors and has not been modified since. The last hearing held by the Board under Appendix E occurred more than 10 years ago. The current prevailing practice in California public pension systems is for a hearing officer (sometimes referred to as an administrative law judge or referee) to conduct a trial type, administrative hearing in the first instance where a record

of sworn testimony and documentary evidence is made, followed by the submission by the hearing officer of a written proposed decision to the Board. The Board can then accept, reject or modify the proposed decision following specified procedures, thereby retaining and exercising its final decisional authority over the matter.

Appendix E provides that the Board on good cause may order an alternative process for a disability hearing. In two recent, still-pending cases, the Board concluded that under the circumstances a full “trial-type” hearing was not warranted and exercised its authority to establish an alternative process for those cases. In those cases, the Board ultimately ordered that an independent medical examination (IME) be conducted and that the matters be returned to them for further consideration upon the receipt of the independent medical reports following such examinations. If the report in either or both of these cases does not support a finding of industrial disability the Board will need to determine the process by which the case or cases is brought back to it for a final decision. Going forward, while the engagement of MMRO ensures that in future cases there will always be an IME, there will inevitably be a matter in which the IME does not support the award of a disability or industrial disability retirement and a process will be required for providing a hearing to the applicant that leads to the Board’s final decision.

General Counsel and staff believe that the existing hearing procedure outlined in Appendix E, which places the Board in the position of acting directly as a quasi-judicial, fact-finding body and the Board President in the position of ruling on the admissibility of evidence and possible objections thereto is not optimal. An alternative process consistent with that used by most if not all other California systems that employs a hearing officer in the first instance to develop an evidentiary record and render a proposed decision would better serve the interests of members and place the Board in a better position to fulfill its duties with respect to disability appeals.

As noted above, any permanent revisions to the hearing process set forth in Appendix E must ultimately be adopted by the Board of Supervisors. Depending upon the timing required with respect to the two pending matters, if the Board wishes to the pursue the development of the revisions outlined above we will bring back to the Board at its next meeting either a revised Appendix E for Board review, approval and submission to the Board of Supervisors for adoption or, in the alternative, a resolution for adoption under its current authority under Appendix E that sets forth an alternative hearing process incorporating the use of a hearing officer.

We look forward to discussing these issues with the Board.

Respectfully submitted,

Carl Nelson  
Executive Secretary

Amy Burke  
Deputy Executive Secretary

Chris Waddell  
General Counsel

# Board of Trustees

1000 Mill Street  
San Luis Obispo, CA 93408  
Phone: (805) 781-5465  
Fax: (805) 781-5697  
www.SLOPensionTrust.org

San Luis Obispo County  
Pension Trust  
*SLOCPT*



Date: January 23, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary

## **Agenda Item 14: Cash Flow Analysis for 2017**

### **Recommendation:**

It is recommended that the Board receive and file this report.

### **Discussion:**

This report is presented in accordance with the requirements of Section IX, Investment Administration, of the SLOCPT's Investment Policy.

This report is an information item only and is ministerial in nature. Please note that the County and APCD employer paid contributions are currently prepaid through June 30, 2017. This causes a timing issue as funds are received in one lump sum payment for contributions due in fiscal years ending June 30. The following projection assumes a similar prefunding will take place at the start of FY17-18. No further action is needed.

SLOCPT

Annual Cashflow projections

Pursuant to Article IX (Investment Administration) of the Investment Policy

<u>Expected Cash Inflows:</u>	<u>2017</u>
Contributions - employer	\$ 36,800,000
Contributions - pickup	11,300,000
Contributions - employee	13,800,000
Less Jan-June prepaid	(24,200,000)
FY2017-18 Prepayment	47,500,000 *
Less July-Dec prepaid	(24,800,000)
Total Contributions	<u>\$ 60,400,000</u>
Real Estate Income Transferred	10,000,000
Net Investment Drawdowns	<b>12,600,000 **</b>
Total Inflows (a)	<u>\$ 83,000,000</u>
<u>Expected Cash Outflows:</u>	
Benefit Payments	\$ (83,100,000)
+ est. COLA for 2017	(1,100,000)
Termination Refunds	(1,900,000)
Death Benefits	(500,000)
Administrative Expenses	(2,800,000)
Total Outflows (b)	<u>\$ (89,400,000)</u>
<b>Net Cashflow ( a + b )</b>	<u><b>\$ (6,400,000)</b></u>
Current Cash Holdings ***	<u>27,900,000</u>
<b>Total Cash Available (at year end)</b>	<u><u>\$ 21,500,000</u></u>

\* Estimate based on amount received for fiscal year 2016-17 plus 2.5% rate increase.

\*\* Net Investment Drawdowns are withdrawals from various investment portfolios. Since benefits paid by the SLCOPT are greater than contributions received (\$60.4M contributions vs. \$89.4M benefits and expenses) the net amount to be taken from investment portfolios to fund retirement benefits is estimated at \$12.6M for 2017. The net investment drawdowns will be accomplished as part of routine asset mix rebalancing between portfolios during the year.

\*\*\* Cash held in the County Treasury account plus operating accounts at Heritage Oaks Bank.

# Board of Trustees

1000 Mill Street  
 San Luis Obispo, CA 93408  
 Phone: (805) 781-5465  
 Fax: (805) 781-5697  
 www.SLOPensionTrust.org

San Luis Obispo County  
 Pension Trust  
**SLOOPT**



Date: January 23, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
 Amy Burke – Deputy Executive Secretary

**Agenda Item 15: Investment Report for December 2016**

	December	Year to Date 2016	2015	2014	2013	2012
Total Trust Investments (\$ 000s)	\$1,195,933		\$1,148,315 year end	\$1,190,316 year end	\$1,131,022 year end	\$1,009,432 year end
<b>Total Fund Return</b>	<b>0.2%</b> (a) Gross	<b>5.4%</b> (a) Gross	-1.1 % Gross	5.1 % Gross	13.8% Gross	12.8% Gross
Policy Index Return (r)	1.3%	7.4%	-0.8 %	5.2 %	13.4%	11.6%

(a) December and YTD 2016 returns adjusted to reflect a stale asset value related to the sale of a property from the FPI portfolio in December. Number shown here is Staff’s estimate and differs from the Verus report that used the stale asset value due to a reporting lag.

(r) Policy index as of Aug. 2016 revision to Strategic Asset Allocation Policy: 20% domestic equity, 20% international equity, 15% core bonds, 5% bank loans, 5% global bonds, 5% emerging market debt, 15% real estate, 5% commodities, 5% private equity, 5% private credit.

The returns shown above are estimated as of year end 2016 and will be updated by Verus for the 4Q16 full report next month. The results will change some as updated market values for the less liquid assets are known. Based on the estimates above, the longer term rates of return for the Pension Trust would be: 3 years = 3.2%, 5 years = 7.1%, 10 years = 4.5%. The 10 year number includes the impact of the 2008 market crash obviously.

## The Economy:

The main factors in the global economy for November and into mid-December have been –

- **U.S. Election** – The emerging economic change of direction following the surprise result of the US Presidential election has fueled upward moves in equities and downward moves in bond prices as interest rates have risen. The outlook for US growth and interest rates has also fueled a strengthening dollar that has negatively impacted international returns for US based investors. An interesting write up on the recent economic environment comes from the January 13<sup>th</sup> edition of the “Daily Observations” newsletter from Bridgewater consulting quoted below.

Bridgewater Daily Observations – 1/13/17

### Thoughts on Animal Spirits

Greg Jensen | Jeff Amato | Jacob Kline | Bobby Fitzpatrick

“As we’ve raised in prior *Observations*, the Trump administration could have a much bigger impact on the US economy than one would calculate on the basis of changes in tax and spending policies alone if it ignites animal spirits and attracts productive capital. Animal spirits work if psychology changes such that consumers lower their desired savings rates, businesses increase their investment rates, and investors lower their desire to hold cash on the view the economy can exceed current market expectations. The psychological impulse seems clearly to have occurred. But the degree to which it will flow through to actual behavior is the big question.

It's clear there is a widespread upswing in confidence across basically every part of the US economy. A shift in confidence of the kind we have just seen is pretty rare at this point in the cycle and has only occurred a few times since 1960. When it has happened, it has typically suggested that the current business cycle still has some years to run. This makes sense today as a possibility because, given the current situation in the US, there is good reason to think that a boost in confidence can support another leg of the expansion. So far, even with the market moves since the election, markets are still pricing only modest nominal growth—it won't take much of a decline in savings rates for growth to exceed what is priced in. Whether the change in sentiment is sustained and translates to a shift in behavior is one of the major unfolding stories for the US economy in 2017.”

- **Fed Policy** – The Fed resumed some rate normalization as expected at their December meeting with an increase in the Fed Funds target rate of 0.25% to a range of 0.50% to 0.75%. The Fed has taken a more aggressive tone in their communications about future increases in 2017 – with three increases forecast. This change in tone by the Fed was supported by a strengthening labor market and expectations that inflation would rise to the 2% Fed target. Expectations for more expansionary fiscal policies and related pick ups in growth rates also contribute to the Fed's apparent resolve to continue with rate normalization.

- **Economic Growth – global** – The World Bank projected that global growth would improve slightly in 2017 as recovering oil and commodity prices improve economic fundamentals for export oriented emerging markets. The expected improvement is aided by the ending of recessions in Brazil and Russia. The World Bank report forecast global real GDP growth in 2017 to be 2.7%, up from a 2.3% rate in 2016. Developed economies taken together are expected to see GDP growth edge up to 1.8%. Emerging market growth is forecast to accelerate to a 4.2% rate from 3.4% in 2016. Growth in China is expected to slow slightly to a 6.5% rate and GDP growth in India is expected to edge up to a 7.6% rate. The World Bank forecast for U.S. growth in 2017 is 2.2% versus 1.6% in 2016 as a whole. The report noted that uncertainty over the course of U.S. economic policy could have a delaying effect on flows of investment funds in 2017.
- **Employment** - The US unemployment rate remained in full-employment range in December at a 4.7% rate. Employment growth slowed slightly in December, with a 156k increase in nonfarm payrolls. Labor force participation in December was 62.7% of the population – unchanged from a year earlier. The Labor Department’s December jobs report also estimated private-sector wage growth for full-year 2016 at +2.9%. This is the highest wage growth reading for seven years, but wages are still recovering from pre-recession levels.

### **Investment Markets:**

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of December.

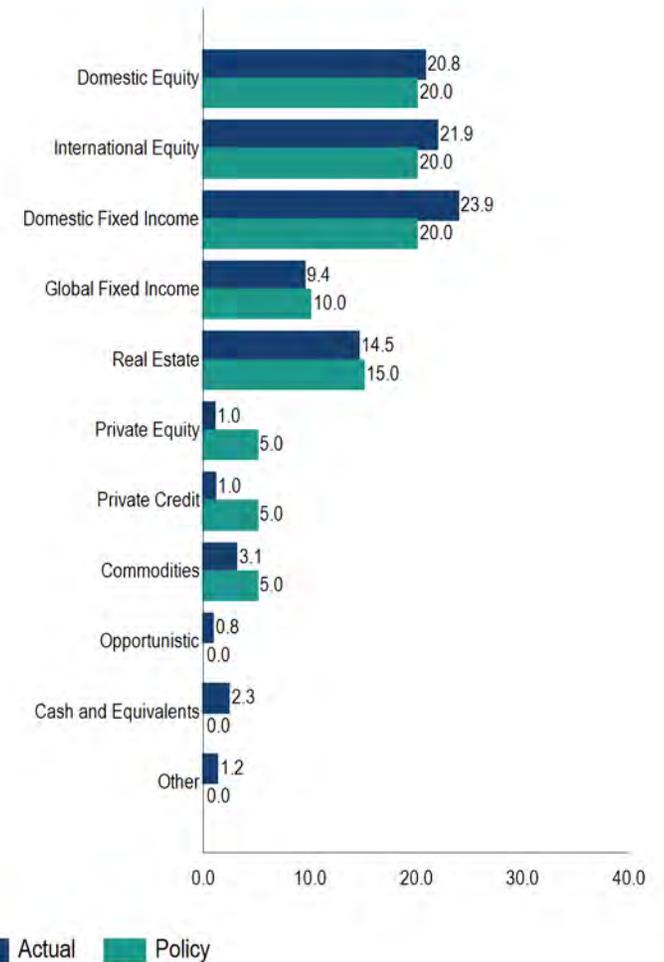
This page left blank intentionally.

San Luis Obispo County Pension Trust  
Executive Summary - Preliminary (Gross of Fees)

Period Ending: December 31, 2016

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,195,933,108</b>	<b>100.0</b>	<b>1.2</b>	<b>6.5</b>
Total Fund ex Clifton	1,181,034,059	98.8	1.2	6.5
Policy Index			1.3	7.4
<b>Total Domestic Equity</b>	<b>248,191,606</b>	<b>20.8</b>	<b>2.1</b>	<b>13.0</b>
Russell 3000			2.0	12.7
SSGA S&P 500 Flag.	78,890,128	6.6	2.0	12.0
S&P 500			2.0	12.0
PIMCO RAE Fundamental PLUS Instl	50,024,385	4.2	1.8	15.9
S&P 500			2.0	12.0
Loomis Sayles Large Cap Growth	70,000,000	5.9	--	--
Russell 1000 Growth			--	--
Atlanta Capital Mgmt	49,277,093	4.1	1.9	12.6
Russell 2500			1.9	17.6
<b>Total International Equity</b>	<b>262,107,462</b>	<b>21.9</b>	<b>2.0</b>	<b>2.2</b>
MSCI ACWI ex USA Gross			2.6	5.0
Dodge & Cox Intl Stock	138,738,443	11.6	2.5	9.0
MSCI EAFE Gross			3.4	1.5
Vontobel	123,369,019	10.3	1.5	-4.4
MSCI EAFE Gross			3.4	1.5
<b>Total Domestic Fixed Income</b>	<b>285,328,663</b>	<b>23.9</b>	<b>0.4</b>	<b>4.5</b>
BBgBarc US Aggregate TR			0.1	2.6
PIMCO Core Plus	185,961,946	15.5	0.3	3.0
BBgBarc US Aggregate TR			0.1	2.6
Pacific Asset Corporate Loan	65,764,668	5.5	1.5	9.2
S&P/LSTA Leveraged Loan Index			1.2	10.2
SSGA TIPS	33,602,048	2.8	-0.1	4.7
BBgBarc US TIPS TR			-0.1	4.7
<b>Total Global Fixed</b>	<b>112,984,798</b>	<b>9.4</b>	<b>1.1</b>	<b>5.8</b>
Citi World Govt Bond Index			-0.7	1.6
Brandywine Global Fixed Income	57,734,375	4.8	0.2	2.2
JPM GBI Global TR USD			-0.6	1.6
Stone Harbor Local Markets Ins	55,250,423	4.6	2.0	9.9
JPM GBI-EM Global Diversified TR USD			1.9	9.9

Actual vs Target Allocation (%)



\*Other balance represents Clifton Group.

New Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 10% Russell 3000 + 300 bp. Pacific Asset funded 9/1/2014. Mason Equity and Mason High Income liquidated on 6/15/2015. Research Affiliates US Large Cap transitioned to PIMCO RAE (Research Affiliates Equity) Fundamental PLUS Fund Instl on 6/5/2015. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 9/30/2016 +/- calls and distributions. Fidelity Real Estate Growth II liquidated 12/31/2015. TPG funded 11/21/16. Loomis Sayles LC Growth funded 12/31/16. All data is preliminary.

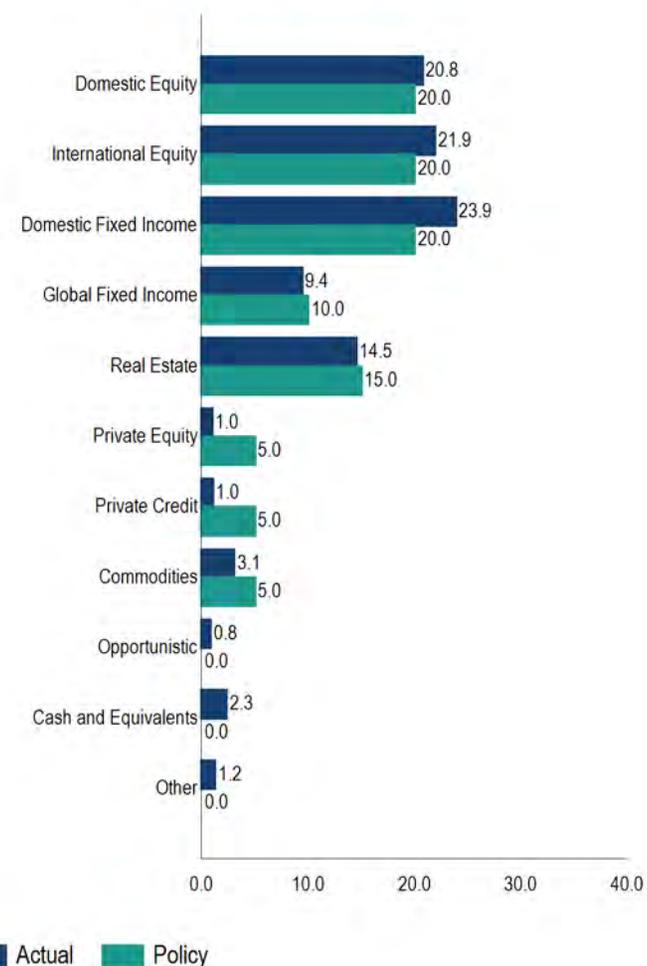
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: December 31, 2016

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Real Estate</b>	<b>173,781,108</b>	<b>14.5</b>	<b>0.6</b>	<b>7.6</b>
<i>NCREIF Property Index</i>				
ARA American Strategic Value Realty	10,627,048	0.9	0.0	--
<i>NCREIF-ODCE</i>				
<i>NCREIF Property Index</i>				
Direct Real Estate	21,403,241	1.8	0.0	5.5
<i>NCREIF-ODCE</i>				
<i>NCREIF Property Index</i>				
JP Morgan Core Real Estate	140,951,102	11.8	0.7	8.4
<i>NCREIF-ODCE</i>				
<i>NCREIF Property Index</i>				
Fidelity Real Estate Growth III	799,717	0.1	-3.8	1.3
<i>NCREIF-ODCE</i>				
<i>NCREIF Property Index</i>				
<b>Total Commodities</b>	<b>36,514,186</b>	<b>3.1</b>	<b>1.9</b>	<b>12.6</b>
<i>Bloomberg Commodity Index TR USD</i>				
Gresham MTAP Commodity Builder	36,514,186	3.1	1.9	12.6
<i>Bloomberg Commodity Index TR USD</i>				
<b>Total Private Equity</b>	<b>11,949,936</b>	<b>1.0</b>		
Harbourvest Partners IX Buyout Fund L.P.	11,949,936	1.0		
<i>Russell 3000 + 3%</i>				
<b>Total Private Credit</b>	<b>12,274,102</b>	<b>1.0</b>		
TPG Diversified Credit Program	12,274,102	1.0		
<i>Russell 3000 + 3%</i>				
<b>Total Cash</b>	<b>27,959,461</b>	<b>2.3</b>	<b>0.0</b>	<b>0.5</b>
<i>91 Day T-Bills</i>				
Cash Account	27,959,461	2.3	0.0	0.5
<i>91 Day T-Bills</i>				
<b>Total Opportunistic</b>	<b>9,942,737</b>	<b>0.8</b>		
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	8,154,316	0.7		
<i>CPI + 5%</i>				
PIMCO Distressed Credit Fund	1,788,420	0.1		
<i>CPI + 5%</i>				

Actual vs Target Allocation (%)



\*Other balance represents Clifton Group.

New Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 10% Russell 3000 + 300 bp. Pacific Asset funded 9/1/2014. Mason Equity and Mason High Income liquidated on 6/15/2015. Research Affiliates US Large Cap transitioned to PIMCO RAE (Research Affiliates Equity) Fundamental PLUS Fund Instl on 6/5/2015. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 9/30/2016 +/- calls and distributions. Fidelity Real Estate Growth II liquidated 12/31/2015. TPG funded 11/21/16. Loomis Sayles LC Growth funded 12/31/16. All data is preliminary.

A decorative geometric pattern of overlapping triangles in various shades of blue and black is overlaid on the left side of the image. A white triangle is positioned at the top left of this pattern, pointing downwards.

**PERSPECTIVES**  
**THAT DRIVE**  
**ENTERPRISE**  
**SUCCESS**

DECEMBER 2016  
Capital Markets Update

# Market commentary

## ECONOMIC CLIMATE

- The Fed raised interest rates at its December meeting, increasing the federal funds target rate by 0.25%, to a range of 0.50% to 0.75%.
- The U.S. dollar appreciated to its highest level since 2003, as the trade weighted U.S. dollar index rose 0.5% from the previous month against a basket of major currencies. The index was up 9.3% from its 1-year low in May at the end of December.
- The U.S. trade deficit widened by 6.8% in November to -\$45.2 billion, larger than the consensus estimate of -\$44.5 billion. A rise in oil imports and a reduction in capital goods exports were cited as the largest contributing factors.
- The University of Michigan's U.S. consumer sentiment index jumped to 98.2, the highest rate since January 2015. Respondents cited potential new economic policies as the biggest positive.
- The ISM purchasing managers index rose to a 1-year high of 54.7 in December, indicating an expansion in manufacturing activity.

## DOMESTIC EQUITIES

- Domestic equities posted a second consecutive positive monthly return, as the S&P 500 returned 2.0% in December. The index set a record high closing value of 2,271 on December 13<sup>th</sup>.
- As of December 30<sup>th</sup>, fourth quarter earnings for the S&P 500 are estimated to grow at 3.2% year-over-year, according to FactSet. If the index reports positive earnings growth, it would be the second consecutive quarter of year-over-year earnings growth.

## DOMESTIC FIXED INCOME

- The Bloomberg Barclays U.S. Aggregate returned 0.1% in December, the first positive monthly return since July.
- Interest rates continued to rise but at a reduced rate compared to last month. The 10-Year Treasury yield increased 8 bps in December, ending the month at 2.45%.
- U.S. high yield option-adjusted spreads continued their downward trend to the lowest point since September of 2014, and ended the month at 4.2%. High yield spreads have compressed by 2.7% in 2016.

## INTERNATIONAL MARKETS

- International equity markets narrowly outperformed domestic equities in December (S&P 500 2.0%) as the MSCI ACWI ex U.S. returned 2.2%.
- Italy voted against a referendum on constitutional reform on December 4<sup>th</sup> that would have weakened the power of the Senate. The Italian Prime Minister, Matteo Renzi, resigned shortly thereafter. Although Renzi's Democratic party will remain in power, the country's anti-establishment Five Star party has recently gained popularity.
- The ECB announced it would continue its asset purchase program through the initially scheduled date of March 2017, but at a reduced rate. The program will extend until at least the end of 2017, and monthly bond purchases will fall to €60 billion from €80 billion in April 2017.

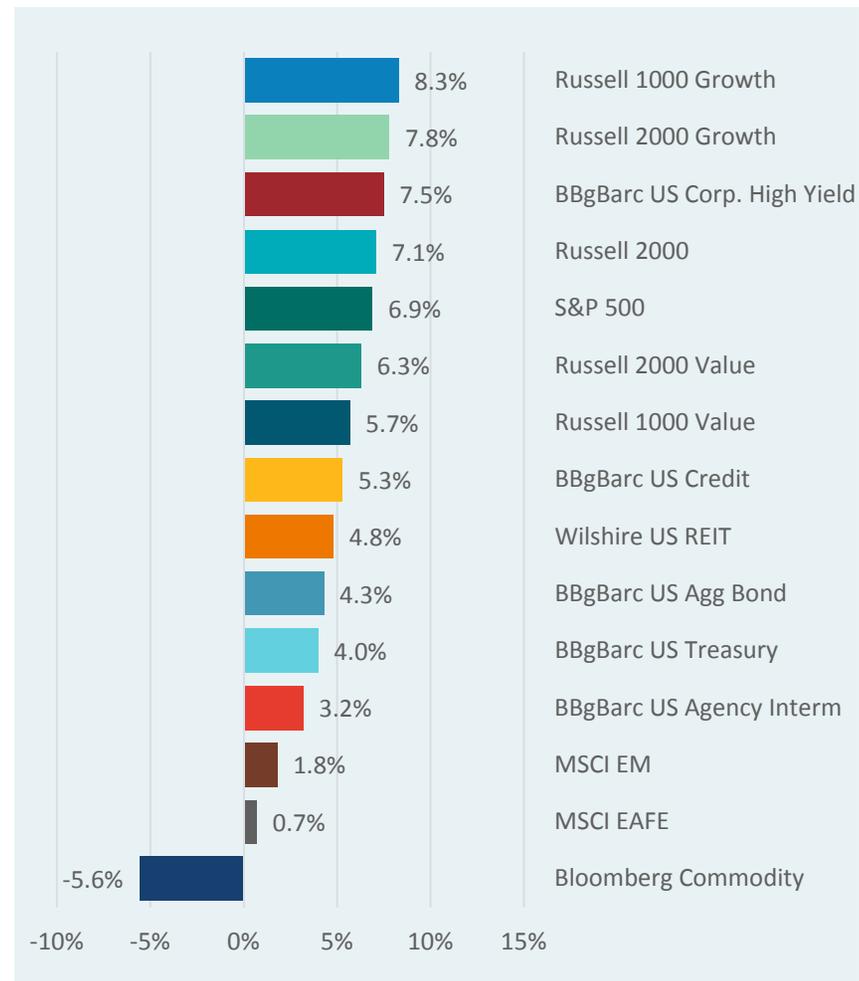
# Major asset class returns

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/16

TEN YEARS ENDING DECEMBER

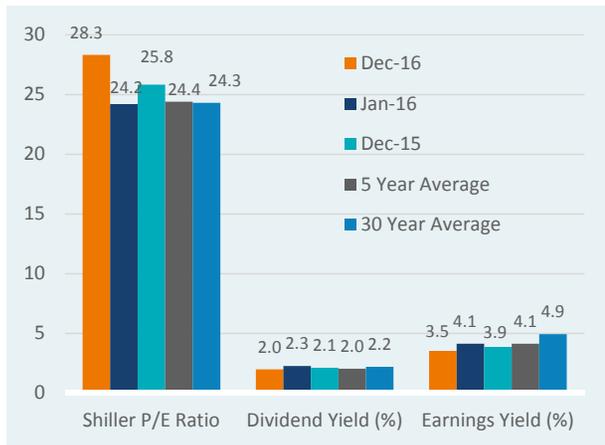


Source: Morningstar, as of 12/31/16

# U.S. large cap equities

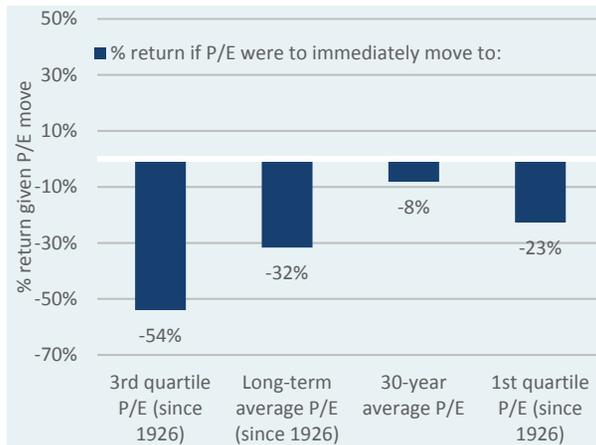
- The S&P 500 returned 2.0% in December and provided a 12.0% return in 2016.
- The Shiller P/E Ratio for the S&P 500 increased from 26.9 in November to 28.3 at month end, well above the 30-year average of 24.3.
- Relative to the S&P 500, Telecom Services stocks outperformed in December, returning 8.1% compared to the overall index return of 2.0%.
- The worst performing sector in the S&P 500 was Consumer Discretionary stocks, which returned 0.1% in the month.
- Realized volatility of U.S. equities was relatively low in December, as the annualized standard deviation of the S&P 500 was 8.0%, well below the 10-year average of 15.3%.

## US LARGE CAP (S&P 500) VALUATION SNAPSHOT



Source: Yale/Shiller, as of 12/31/16

## RETURNS IF P/E MOVED TO HISTORIC LEVEL



Source: Yale/Shiller, Verus, as of 12/31/16

## S&P 500 VALUATION SNAPSHOT



Source: Standard & Poor's, as of 12/31/16

# Fixed income

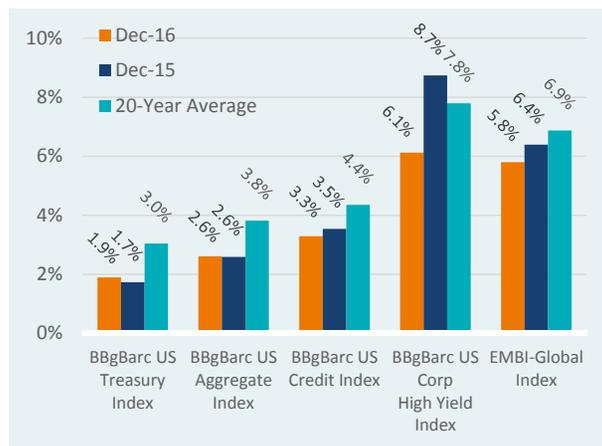
- The Bloomberg Barclays U.S. Aggregate provided a slightly positive return of 0.1% in December.
- Interest rates continued to rise but at reduced rate. The 10-Year Treasury yield increased 8 bps in December, ending the month at 2.45%.
- The annualized nominal fixed income yield for the Bloomberg Barclays U.S. Corporate High Yield decreased in December by 45 bps, to 6.1%.
- Total U.S. bond issuance in 2016 was \$6.9 trillion, 5.8% higher than 2015. The credit expansion was mainly attributed to increases in Federal Agency, Municipal and Mortgage-related bonds.
- The 30-year fixed mortgage rate moved upward by 29 bps in December and ended the month at 4.32%, well above the 1-year average of 3.65%.

## U.S. TREASURY YIELD CURVE



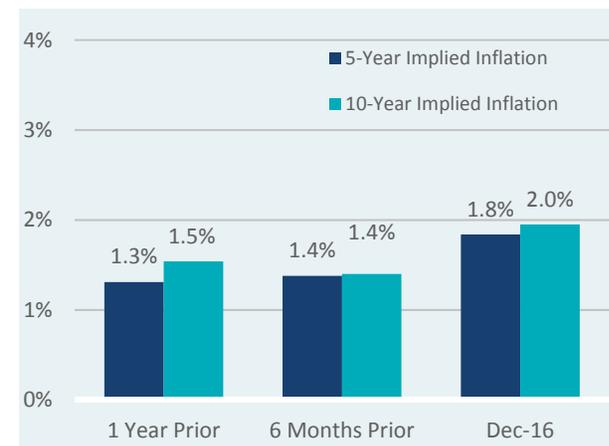
Source: Federal Reserve, as of 12/31/16

## NOMINAL FIXED INCOME YIELDS



Source: Morningstar, as of 12/31/16

## IMPLIED INFLATION (TIPS BREAKEVEN)

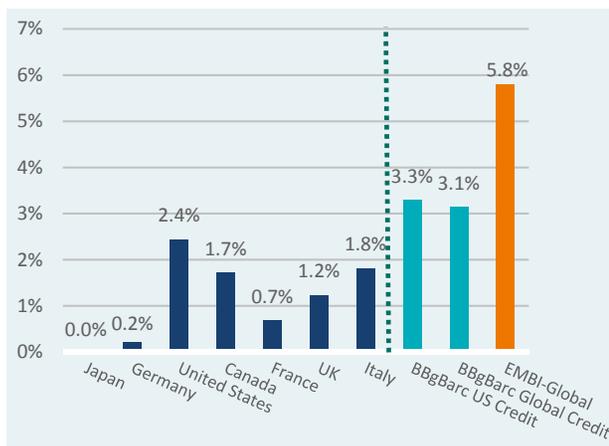


Source: Federal Reserve, as of 12/31/16

# Global markets

- The U.S. dollar appreciated against major currencies in December, as the trade weighted index rose 0.5%. The index ended the month at 109.2, well above its long-term average of 93.7
- Deutsche Bank and Credit Suisse agreed to settle allegations related to the sales of mortgage-backed securities before the financial crisis of 2008. The amounts of the settlements were reportedly \$7.2 billion and \$5.3 billion, respectively.
- Italy approved a €20 billion bailout on December 23<sup>rd</sup> for its third largest bank, Banca Monte die Paschi di Siena.
- The Chinese yuan depreciated against the U.S. dollar in December to the lowest rate in eight years, temporarily increasing liquidity issues within the country's financial sector.

**GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS**



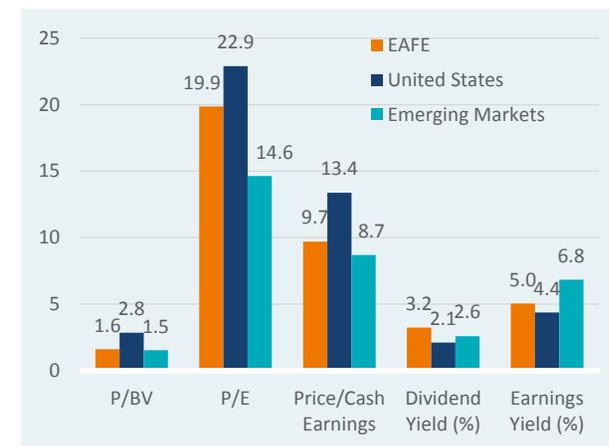
Source: Morningstar, as of 12/31/16

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 12/31/16

**MSCI VALUATION METRICS (3 MONTH AVERAGE)**



Source: MSCI, as of 12/31/16

# Style tilts: U.S. large value vs. growth

- Value equities outperformed growth equities for the third consecutive month. In December, the Russell 1000 Value index and Russell 1000 Growth index returned 2.5% and 1.2%, respectively.
- Short-term outperformance of value equities was partially attributable to the higher concentration of Energy and Financial Services companies in the Russell 1000 Value relative to the Russell 1000 Growth.
- The relative P/E ratio of value to growth equities fell slightly from 0.88 to 0.85. This metric remains above its long-term average of 0.77.
- The recent short-term outperformance of value equities has pointed towards the reemergence of a value premium.

**RELATIVE PE RATIO OF U.S. VALUE VS. GROWTH**



Source: Russell, Bloomberg, as of 12/31/16

**U.S. VALUE VS. GROWTH ABSOLUTE PERFORMANCE**

	RUSSELL 1000 GROWTH ANNUALIZED RETURN TO DATE %	RUSSELL 1000 VALUE ANNUALIZED RETURN TO DATE %
QTD	1.0	6.7
YTD	7.1	17.3
1 YEAR	7.1	17.3
3 YEARS	8.6	8.6
5 YEARS	14.5	14.8
10 YEARS	8.3	5.7
20 YEARS	6.9	8.3
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.81	0.80
5 YEARS	1.26	1.34
10 YEARS	0.54	0.38
20 YEARS	0.34	0.46

Source: Morningstar, as of 12/31/16

**U.S. VALUE VS. GROWTH RELATIVE PERFORMANCE**



Source: Morningstar, as of 12/31/16

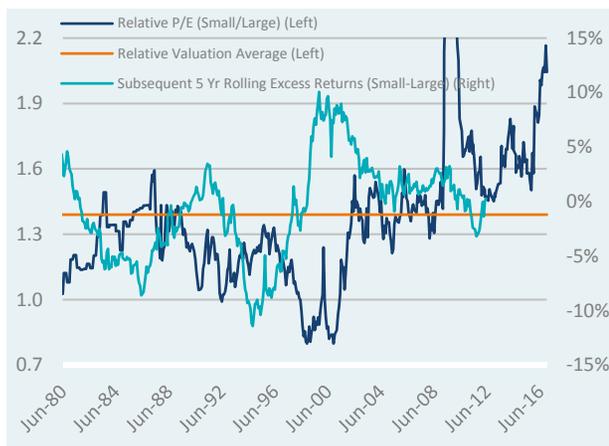
# Style tilts: U.S. large vs. small

— U.S. small cap equities outperformed large cap equities in December, as the Russell 2000 index and Russell 1000 index returned 2.8% and 1.9%, respectively.

— The relative P/E ratio of small to large cap equities fell from 2.17 to 2.04 in December. This metric remains well above its long-term average of 1.39.

— Despite the recent outperformance of small cap equities, in all time periods examined below large cap equities have provided a greater risk adjusted return as defined by the Sharpe ratio.

## RELATIVE PE RATIO OF U.S. SMALL VS. LARGE



Source: Russell, Bloomberg, as of 12/31/16

## U.S. LARGE VS. SMALL ABSOLUTE PERFORMANCE

	RUSSELL 1000 INDEX ANNUALIZED RETURN TO DATE %	RUSSELL 2000 INDEX ANNUALIZED RETURN TO DATE %
QTD	3.8	8.8
YTD	12.1	21.3
1 YEAR	12.1	21.3
3 YEARS	8.6	6.7
5 YEARS	14.7	14.5
10 YEARS	7.1	7.1
20 YEARS	7.9	8.2
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.83	0.46
5 YEARS	1.34	0.97
10 YEARS	0.47	0.39
20 YEARS	0.43	0.39

Source: Morningstar, as of 12/31/16

## U.S. SMALL VS. LARGE RELATIVE PERFORMANCE



Source: Morningstar, as of 12/31/16

# Commodities

- The Livestock and Energy Bloomberg Commodity sub-indices outperformed in December as they returned 10.0% and 9.0%, respectively. The overall Bloomberg Commodity Index returned 1.8%.
- WTI crude oil appreciated in December, as the price rose by 8.7% and ended at \$53.72 per barrel. U.S. crude oil inventories decreased by -1.8% and ended the month at 479 million barrels.

- The Bloomberg Precious Metals index underperformed in December, as it returned -2.2%. The price of gold fell -2.4% to end the month at \$1,159 per ounce.

## INDEX AND SECTOR PERFORMANCE

	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	2.7	11.8	11.8	(11.3)	(9.0)	(5.6)
Bloomberg Agriculture	(2.1)	2.1	2.1	(7.9)	(7.0)	(1.2)
Bloomberg Energy	10.6	16.3	16.3	(24.5)	(16.3)	(15.5)
Bloomberg Grains	1.4	(5.9)	(5.9)	(11.7)	(7.5)	(2.5)
Bloomberg Industrial Metals	6.1	19.9	19.9	(6.5)	(6.6)	(6.2)
Bloomberg Livestock	20.8	(5.6)	(5.6)	(5.1)	(4.5)	(7.5)
Bloomberg Petroleum	8.4	17.2	17.2	(26.2)	(15.7)	(9.3)
Bloomberg Precious Metals	(14.0)	9.5	9.5	(3.3)	(7.8)	4.5
Bloomberg Softs	(11.2)	13.2	13.2	(2.8)	(10.0)	(2.1)

Source: Morningstar, as of 12/31/16

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 12/31/16

# Appendix

# Periodic table of returns

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	5-Year	10-Year
Small Cap Value	74.8	16.6	38.4	23.2	35.2	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	10.1	31.7	15.1	8.3
Small Cap Equity	32.9	8.1	37.8	23.1	32.9	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	14.8	7.8
Large Cap Value	26.3	6.4	37.2	22.4	31.8	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	14.7	7.2
Large Cap Equity	23.8	4.4	31.0	21.6	30.5	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	14.5	7.1
Commodities	19.3	3.2	28.5	21.4	22.4	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	14.5	7.1
Small Cap Growth	18.9	2.6	25.7	16.5	16.2	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	13.7	6.3
Emerging Markets Equity	18.1	0.4	19.6	14.4	13.9	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	11.2	5.7
Large Cap Growth	13.4	-1.5	18.5	11.3	12.9	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	7.1	6.5	4.3
Real Estate	10.2	-1.8	15.2	10.3	10.6	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	6.1	5.8	3.8
60/40 Global Portfolio	9.7	-2.0	11.6	9.9	9.7	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	3.4	1.8
US Bonds	3.1	-2.4	11.1	6.4	5.2	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	2.2	1.3
International Equity	2.9	-2.9	7.5	6.0	2.1	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	1.3	0.7
Hedge Funds of Funds	1.4	-3.5	5.7	5.1	-3.4	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	0.1	0.7
Cash	-1.1	-7.3	-5.2	3.6	-11.6	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	-9.0	-5.6

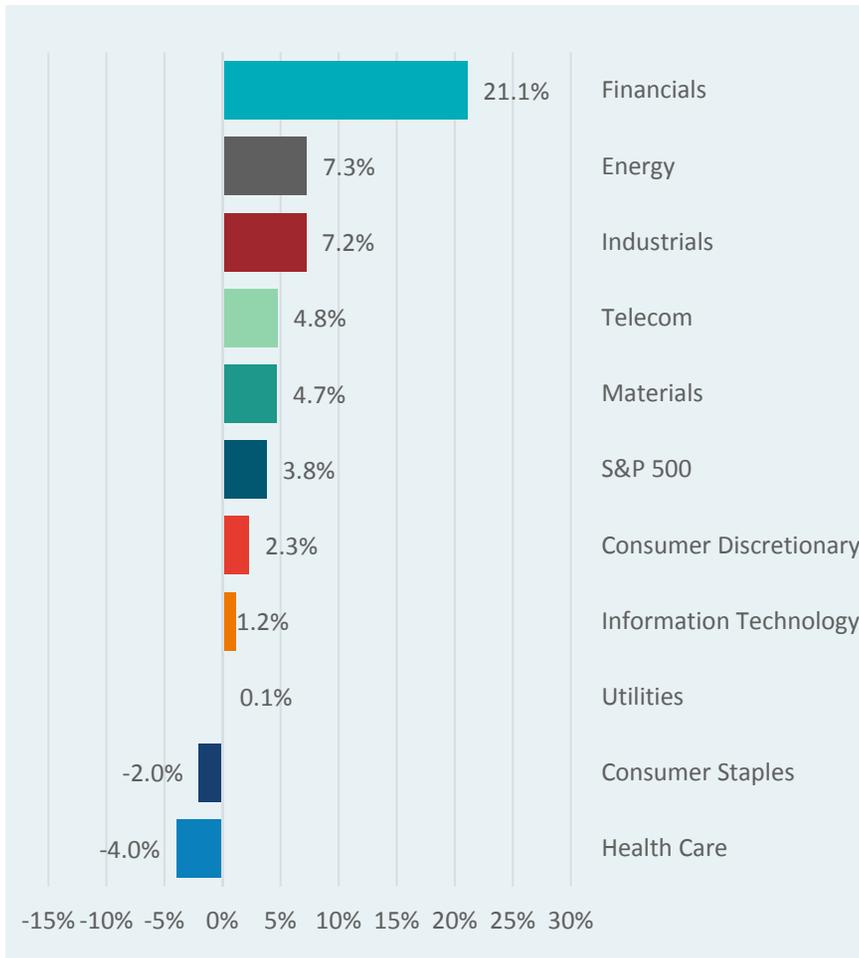
BEST  
↑  
WORST  
↓

- Large Cap Equity
- Small Cap Growth
- Commodities
- Large Cap Value
- International Equity
- Real Estate
- Large Cap Growth
- Emerging Markets Equity
- Hedge Funds of Funds
- US Bonds
- 60% MSCI ACWI/40% BBgBarc Global Bond
- Cash

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 9/30/16.

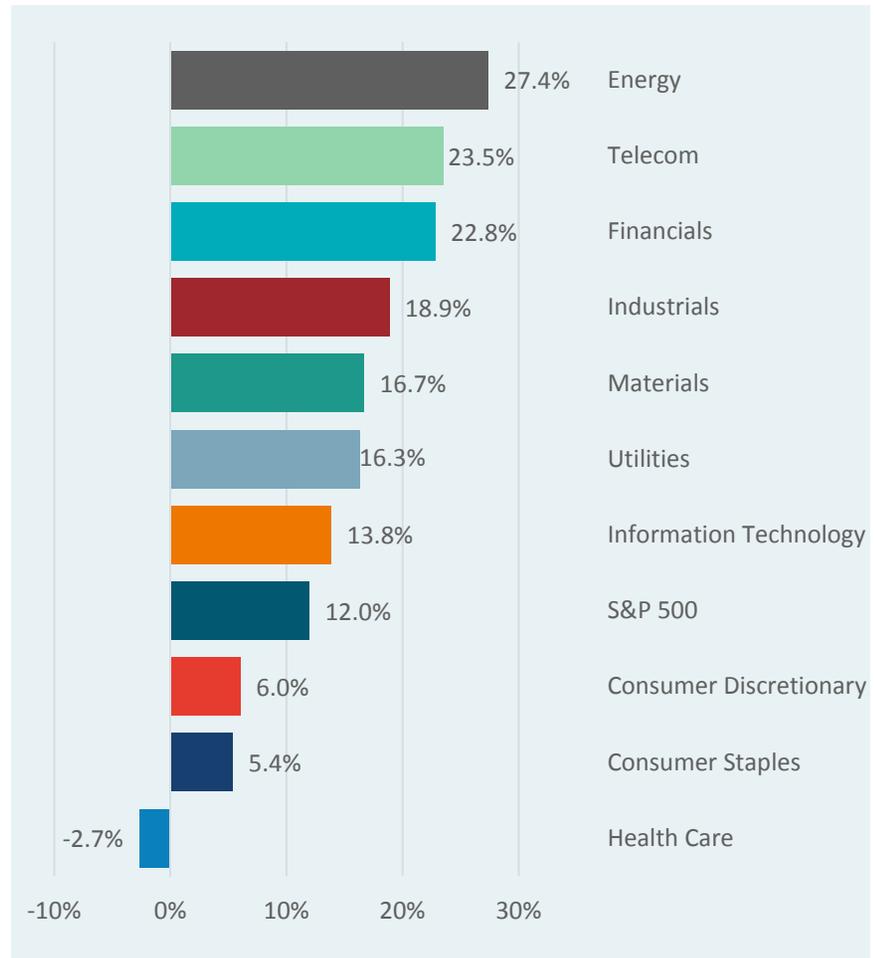
# S&P 500 and S&P 500 sector returns

QTD



Source: Morningstar, as of 12/31/16

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/16

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	2.0	3.8	12.0	12.0	8.9	14.7	6.9
S&P 500 Equal Weighted	1.1	3.8	14.8	14.8	8.7	15.5	8.4
DJ Industrial Average	3.4	8.7	16.5	16.5	8.7	12.9	7.5
Russell Top 200	2.2	4.1	11.3	11.3	8.9	14.7	6.8
Russell 1000	1.9	3.8	12.1	12.1	8.6	14.7	7.1
Russell 2000	2.8	8.8	21.3	21.3	6.7	14.5	7.1
Russell 3000	2.0	4.2	12.7	12.7	8.4	14.7	7.1
Russell Mid Cap	1.1	3.2	13.8	13.8	7.9	14.7	7.9
<b>Style Index</b>							
Russell 1000 Growth	1.2	1.0	7.1	7.1	8.6	14.5	8.3
Russell 1000 Value	2.5	6.7	17.3	17.3	8.6	14.8	5.7
Russell 2000 Growth	1.4	3.6	11.3	11.3	5.1	13.7	7.8
Russell 2000 Value	4.1	14.1	31.7	31.7	8.3	15.1	6.3

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	2.2	1.2	7.9	7.9	3.1	9.4	3.6
MSCI ACWI ex US	2.6	(1.3)	4.5	4.5	(1.8)	5.0	1.0
MSCI EAFE	3.4	(0.7)	1.0	1.0	(1.6)	6.5	0.7
MSCI EM	0.2	(4.2)	11.2	11.2	(2.6)	1.3	1.8
MSCI EAFE Small Cap	2.9	(2.9)	2.2	2.2	2.1	10.6	2.9
<b>Style Index</b>							
MSCI EAFE Growth	2.2	(5.5)	(3.0)	(3.0)	(1.2)	6.7	1.6
MSCI EAFE Value	4.6	4.2	5.0	5.0	(2.1)	6.3	(0.2)
<b>Regional Index</b>							
MSCI UK	4.1	(0.9)	(0.1)	(0.1)	(4.4)	4.0	0.3
MSCI Japan	1.0	(0.2)	2.4	2.4	2.5	8.2	0.5
MSCI Euro	6.6	2.0	1.4	1.4	(3.3)	7.1	(0.6)
MSCI EM Asia	(1.4)	(6.1)	6.1	6.1	0.1	4.4	3.4
MSCI EM Latin American	0.9	(0.9)	31.0	31.0	(7.5)	(5.7)	0.3

Source: Morningstar, as of 12/31/16

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
BBgBarc US Treasury USTIPS	(0.1)	(2.4)	4.7	4.7	2.3	0.9	4.4
BBgBarc US Treasury Bills	0.0	0.1	0.4	0.4	0.2	0.2	0.9
BBgBarc US Agg Bond	0.1	(3.0)	2.6	2.6	3.0	2.2	4.3
<b>Duration</b>							
BBgBarc US Treasury 1-3 Yr	0.0	(0.5)	0.9	0.9	0.7	0.6	2.1
BBgBarc US Treasury Long	(0.5)	(11.7)	1.3	1.3	7.8	2.5	6.7
BBgBarc US Treasury	(0.1)	(3.8)	1.0	1.0	2.3	1.2	4.0
<b>Issuer</b>							
BBgBarc US MBS	(0.0)	(2.0)	1.7	1.7	3.1	2.1	4.3
BBgBarc US Corp. High Yield	1.8	1.8	17.1	17.1	4.7	7.4	7.5
BBgBarc US Agency Interm	(0.0)	(1.1)	1.1	1.1	1.5	1.1	3.2
BBgBarc US Credit	0.6	(3.0)	5.6	5.6	4.1	3.8	5.3

## OTHER

<b>Index</b>							
Bloomberg Commodity	1.8	2.7	11.8	11.8	(11.3)	(9.0)	(5.6)
Wilshire US REIT	4.9	(2.3)	7.2	7.2	13.8	12.0	4.8
<b>Regional Index</b>							
JPM EMBI Global Div	1.3	(4.0)	10.2	10.2	6.2	5.9	6.9
JPM GBI-EM Global Div	1.9	(6.1)	9.9	9.9	(4.1)	(1.3)	3.8
<b>Currency (Spot)</b>							
Euro	(0.6)	(6.1)	(2.9)	(2.9)	(8.5)	(4.1)	(2.2)
Pound	(1.1)	(4.9)	(16.2)	(16.2)	(9.3)	(4.5)	(4.5)
Yen	(2.3)	(13.2)	3.1	3.1	(3.4)	(8.0)	0.2

# Notices & disclosures

***Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. and Verus Investors, LLC (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. and Verus Investors, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

# Board of Trustees

1000 Mill Street  
San Luis Obispo, CA 93408  
Phone: (805) 781-5465  
Fax: (805) 781-5697  
www.SLOPensionTrust.org

San Luis Obispo County  
Pension Trust  
*SLOOPT*



Date: January 23, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary

## **Agenda Item 16: Asset Allocation January 2017**

This item on the agenda provides a properly noticed opportunity for the Board of Trustees to discuss and take action if necessary regarding asset allocation and related investment matters.

The asset allocation of the Pension Trust was within Investment Policy Statement limits at year end 2016.

Previously approved investment manager changes in process are summarized below –

PIMCO replacement (~\$184 million at year end) – core bonds  
to BlackRock (~\$93 million)  
to Dodge & Cox (~\$93 million)

Status: Transition brokerage completed 1/12/17 by Vertas Brokerage. Transfer of in-kind and purchased bonds to BlackRock account on 1/18/17. Transfer of cash for mutual fund purchase of Dodge & Cox bond fund on 1/18/17.

Mason Capital replacement (~\$140 million) – domestic equity  
– interim holding in SSGA S&P 500 index fund

to Loomis Sayles (\$70 million) – funded 12/31/16  
to Boston Partners (\$70 million) – funding expected week of 1/23/17  
Status: Documents executed and transfers in process

Vontobel replacement (~\$122 million at year end) – international equity  
to WCM (approx. ~\$122 million) expected 3/1/17

Status: Termination notice to Vontobel for 1/31/17 open date of fund. Settlement date of 10<sup>th</sup> business day later. Next open date for the replacement manager's fund, WCM, is 3/1/17. Staff working with existing investment manager Parametric (formerly named Clifton) to provide derivative overlay during February to maintain international equity exposure within policy limits.

TPG new hire (\$75 million commitment) – private credit

Status: Documents executed and initial capital calls funded in November and December.

Pathway Fund 9 new hire (\$65 million commitment) – private equity

Status: Documents under legal review with closing expected on or about 1/23/17. Initial capital calls to be determined.