

# Pension Trust

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



## AGENDA

### PENSION TRUST BOARD OF TRUSTEES

**Monday, August 28, 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

None

## CONSENT

2. Minutes of the Regular Meeting of July 24, 2017 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of July 2017 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of July (Receive, Approve and File).
5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through August 11, 2017 (Receive, Approve and File).

## APPLICATIONS FOR DISABILITY RETIREMENT

None

## OLD BUSINESS

None

## NEW BUSINESS

6. Actuarial Audit – Scope of Audit and Firm Selection (Discuss and Approve).
7. June 30, 2017 Mid-Year Financial Statements and Fiscal Year 2016-2017 Administrative Budget Status (Receive and File).
8. Budget Amendment – FY17-18 (Recommend Approval).
9. Executive Secretary Compensation Policy (Recommend Approval).
10. Executive Secretary Evaluation Template (Recommend Approval).

## INVESTMENTS

11. Quarterly Investment Report for the 2nd Quarter of 2017 – Presentation by Scott Whalen, Verus (Receive and File).
12. Monthly Investment Report for July 2017 (Receive and File).
13. Commission Recapture Program Termination (Recommend Approval).
14. Investment Educational Presentation – Currency Management – Presentation by Scott Whalen of Verus (Receive and File).
15. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

## OPERATIONS

16. Staff Reports
17. General Counsel Reports
18. Committee Reports:
  - a. Audit Committee No Report
  - b. Personnel Committee No Report
  - c. PAS Replacement Committee No Report

## 19. Upcoming Board Topics (subject to change):

- a. September 25, 2017 Regular Meeting and Strategic Planning Session (Rm. 161/162)
  - i. Asset/Liability Study (Verus)
  - ii. Actuarial Funding Projections (GRS)
  - iii. Investment Policy Statement
  - iv. Executive Secretary Evaluation
- b. October, 23, 2017
  - i. PAS Replacement Project Update
- c. November 27, 2017
  - i. Disability Hearing Report
  - ii. PEPPRA Compensation Limit – 2018
  - iii. Interest Crediting Rate – Normal Contributions – 2018
  - iv. Interest Crediting Rate – Additional Contributions - 2018
  - v. Quarterly Investment Report – 3Q17
  - vi. Investment Educational Presentation - TBD

## 20. Trustee Comments

**REFERRED ITEMS**

None

**ADDED ITEMS**

None

**CLOSED SESSION**

None

**ADJOURNMENT**

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## Board of Trustees

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**JULY 24, 2017**

### **MINUTES**

### **OF THE REGULAR MEETING OF THE PENSION TRUST BOARD OF TRUSTEES**

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

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

**COUNSEL:** Chris Waddell, Esq.

**OTHERS:** Larry Batcheldor, SLOCREA  
Angel Rendon, Student, class assignment  
Dan Andoetoe, Retiree

The meeting was called to order by President Janssen at 9:35 AM, who presided over same.

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

Dan Andoetoe, Retiree addressed the Board stating that it was rumored that Pension Trust retirees were not going to be offered medical insurance through the county if the county stopped contracting with CalPERS.

## **ORGANIZATIONAL:**

None.

## **CONSENT:**

## **AGENDA ITEM NO. 2 - 6: CONSENT.**

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

- ITEM 2:** The Minutes of the Regular Meeting of June 26, 2017 were approved without correction.
- ITEM 3:** The Report of Deposits and Contributions for the Month of June 2017, was received and filed.
- ITEM 4:** The Report of Service Retirements, Disability and DROP Retirements for the month of June 2017, was received, approved and filed.
- ITEM 5:** The Report of Applications for participation in the Deferred Retirement Option Program received through July 7, 2017 was received, approved and filed.
- ITEM 6:** The Resolution Modifying and Affirming Investment and Banking authority – Resolution 2017-04 was approved.
- ITEM 7:** The Option 4 Stipulated Domestic Relations Order for Member John Hacker was received and approved.

**APPLICATIONS FOR DISABILITY RETIREMENT:**

**AGENDA ITEM 8: APPLICATION FOR INDUSTRIAL DISABILITY  
RETIREMENT CASE 2017-04 MARK ALLEN.**

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

- 1) Mr. Mark Allen was found to have become permanently disabled within the meaning of Retirement Plan Section 10.01 on April 27, 2017; and
- 2) Mr. Allen was found to have become entitled to an Industrial Disability Retirement under Retirement Plan Section 10.04, effective the date following the last day of compensated benefits, which has been determined to be July 2, 2017.

**AGENDA ITEM 9: APPLICATION FOR INDUSTRIAL DISABILITY  
RETIREMENT CASE 2017-05 SONJA O'DONOHUE.**

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

- 1) Ms. Sonja O'Donohue was found to have become permanently disabled within the meaning of Retirement Plan Section 10.01 on May 22, 2017; and
- 2) Ms. Donohoe was found to have become entitled to an Industrial Disability Retirement under Retirement Plan Section 10.04, effective July 7, 2017, the date specified on her Application for Industrial Disability Retirement.

**OLD BUSINESS:**

None.

**NEW BUSINESS:**

None.

## **INVESTMENTS:**

### **AGENDA ITEM NO. 10: MONTHLY INVESTMENT REPORT FOR JUNE 2017.**

Upon the motion of Mr. Savage, seconded by Mr. Hamm, and unanimously passed, the Investment Report for the period ended June 30, 2017 was received and filed.

### **AGENDA ITEM NO. 11: ASSET ALLOCATION.**

Upon the motion of Mr. Savage, seconded by Mr. Hamm, and unanimously passed, staff recommendations to rebalance the portfolio due to the receipt of prefunded contributions as outlined in the rebalance exhibit prepared by Verus during late July and August were approved.

\*\* 9:50 AM – Mr. Savage departed the meeting at this time.

## **OPERATIONS:**

### **AGENDA ITEM NO. 12: STAFF ORAL REPORTS.**

- A)** Staff reported on the PASR project noting there were some issues that are being resolved with PEPRA Final Compensation limits and highly compensated Tier 3 employees.
- B)** Staff provided a summary update marketing activities related to local real estate investments.
- C)** Staff reported that current intentions are to retain the 1000 Mill Street building indefinitely as the operational office of the Pension Trust. Staff will follow-up with a more detailed analysis on lease vs. owned office space for Pension Trust operations at a later date.
- D)** Staff advised the Board that one Retirement Program Specialist has recently resigned their employment with the Pension Trust. Their duties have been temporarily reassigned to existing staff for the short to intermediate term. An internal analysis is being done to determine when to replace this position and at what level – e.g., another Retirement Program Specialist or consider adding staff at a Retirement Technician level.



**AGENDA ITEM NO. 13: GENERAL COUNSEL ORAL REPORTS.**

General Counsel reported that it was time for the Executive Secretary performance evaluation and would be meeting with President Janssen on the appropriate process soon.

**AGENDA ITEM NO. 14: COMMITTEE REPORTS – AS NEEDED.**

- A)** AUDIT COMMITTEE: None.
- B)** PERSONNEL COMMITTEE: None.
- C)** PENSION ADMINISTRATION SYSTEM ADMINISTRATION (PASR) COMMITTEE: None.

**AGENDA ITEM NO. 15: 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. 16: TRUSTEE COMMENTS.**

Mr. Sibbach offered his concerns about retiree medical insurance.

**REFERRED ITEMS:** None.

**ADDED ITEMS:** None.

**CLOSED SESSION:**       None.

**ADJOURNMENT.**

There being no further business, the meeting was adjourned at 10:16 AM. The next Regular Meeting was set for August 28, 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**

**REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF  
JULY 2017**

**PP 14 7/7/2017**

<b>By Employer and Tier:</b>	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	<b>TOTAL Contributions</b>
County Tier 1	4,077,720.02	903,572.65	22.16%	765,055.74	18.76%	40.92%	1,757.50	901.30	<b>1,671,287.19</b>
County Tier 2	896,888.10	203,881.52	22.73%	109,844.74	12.25%	34.98%	284.58	760.78	<b>314,771.62</b>
County Tier 3	1,766,205.44	371,982.28	21.06%	186,268.71	10.53%	31.59%	-	427.46	<b>558,678.45</b>
Superior Court Tier 1	294,036.86	70,608.97	24.01%	45,204.85	15.37%	39.39%	-	-	<b>115,813.82</b>
Superior Court Tier 3	46,321.29	10,404.62	22.46%	4,445.30	9.60%	32.06%	-	114.54	<b>14,964.46</b>
APCD Tier 1	75,430.96	15,885.27	21.06%	13,885.40	18.41%	39.47%	-	-	<b>29,770.67</b>
APCD Tier 3	6,692.00	1,398.95	20.90%	767.62	11.47%	32.38%	-	-	<b>2,166.57</b>
Pension Trust Staff Tier 1	10,331.84	2,266.80	21.94%	2,023.46	19.58%	41.52%	-	-	<b>4,290.26</b>
Pension Trust Staff Tier 2	7,651.20	1,678.67	21.94%	833.98	10.90%	32.84%	-	-	<b>2,512.65</b>
Pension Trust Staff Tier 3	8,377.52	1,796.98	21.45%	987.35	11.79%	33.24%	-	-	<b>2,784.33</b>
LAFCO Tier 1	11,575.09	3,009.53	26.00%	1,849.40	15.98%	41.98%	-	-	<b>4,858.93</b>
	<b>7,201,230.32</b>	<b>1,586,486.24</b>	<b>22.03%</b>	<b>1,131,166.55</b>	<b>15.71%</b>	<b>37.74%</b>	<b>2,042.08</b>	<b>2,204.08</b>	<b>\$ 2,721,898.95</b>

**PP 15 7/21/2017**

<b>By Employer and Tier:</b>	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	<b>TOTAL Contributions</b>
County Tier 1	5,760,388.51	1,236,745.80	21.47%	1,054,210.03	18.30%	39.77%	1,757.50	901.30	<b>2,293,614.63</b>
County Tier 2	1,293,753.21	282,591.35	21.84%	151,146.97	11.68%	33.53%	1,584.03	760.78	<b>436,083.13</b>
County Tier 3	2,699,683.10	570,774.37	21.14%	281,537.44	10.42%	31.56%	-	427.46	<b>852,739.27</b>
Superior Court Tier 1	298,855.42	71,769.01	24.01%	45,736.36	15.30%	39.32%	-	-	<b>117,505.37</b>
Superior Court Tier 3	46,137.08	10,365.05	22.47%	4,621.86	10.02%	32.48%	-	114.54	<b>15,101.45</b>
APCD Tier 1	77,316.20	16,248.63	21.02%	14,207.66	18.38%	39.39%	-	-	<b>30,456.29</b>
APCD Tier 3	6,692.00	1,398.95	20.90%	767.62	11.47%	32.38%	-	-	<b>2,166.57</b>
Pension Trust Staff Tier 1	6,959.59	1,526.93	21.94%	1,421.85	20.43%	42.37%	-	-	<b>2,948.78</b>
Pension Trust Staff Tier 2	7,651.20	1,678.67	21.94%	833.98	10.90%	32.84%	-	-	<b>2,512.65</b>
Pension Trust Staff Tier 3	8,377.52	1,796.98	21.45%	987.35	11.79%	33.24%	-	-	<b>2,784.33</b>
LAFCO Tier 1	12,494.29	3,248.51	26.00%	1,996.22	15.98%	41.98%	-	-	<b>5,244.73</b>
	<b>10,218,308.12</b>	<b>2,198,144.25</b>	<b>21.51%</b>	<b>1,557,467.34</b>	<b>15.24%</b>	<b>36.75%</b>	<b>3,341.53</b>	<b>2,204.08</b>	<b>\$ 3,761,157.20</b>

**TOTAL FOR THE MONTH**

<b>17,419,538.44</b>	<b>3,784,630.49</b>	<b>21.73%</b>	<b>2,688,633.89</b>	<b>15.43%</b>	<b>37.16%</b>	<b>5,383.61</b>	<b>4,408.16</b>	<b>\$ 6,483,056.15</b>
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**TOTAL YEAR TO DATE**

<b>110,299,316.21</b>	<b>23,974,402.60</b>	<b>21.74%</b>	<b>17,085,159.84</b>	<b>15.49%</b>	<b>37.23%</b>	<b>37,944.23</b>	<b>259,788.23</b>	<b>41,357,294.90</b>
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**REPORT OF SERVICE & DISABILITY RETIREMENTS &  
DROP PARTICIPANTS FOR THE MONTH OF:**

**JULY 2017**

RETIREE NAME	DEPARTMENT	DATE	MONTHLY ALLOWANCE
ALLEN, MARK	PROBATION	07-02-2017	2670.20
BULLOCK, BARBARA	LAW ENFORCEMENT MEDICAL CARE	07-23-2017	Option selection
BYRD, MARIANNE	SUPERIOR COURT	07-08-2017	1925.70
CUNNINGHAM, E. FRANK	PUBLIC WORKS	07-08-2017	1020.81
DUSI, DEBORAH	SHERIFF-CORONER	07-04-2017	Option selection
ENGLISH, KATHRYN	AUDITOR-CONTROLLER / RECIPROCAL	07-15-2017	Awaiting calcs
ERB, JAMES (DROP)	AUDITOR-CONTROLLER / TREAS - TAX	07-01-2017	14320.57
FAHEY, SANDRA	MENTAL HEALTH / RECIPROCAL	07-29-2017	Awaiting calcs
FONTES, KELLY	SHERIFF-CORONER	07-08-2017	2843.32
HANSON, KIMBERLY	DISTRICT ATTORNEY	07-15-2017	1219.83
HELWIG, DAVID	BEHAVIORAL HEALTH	07-16-2017	2740.02 1670.00** 10.54*
HUSKEY, JOHN	SHERIFF-CORONER	07-08-2017	6126.71 1489.00**
LaROSE, PATRICIA	SOCIAL SERVICES	07-28-2017	Awaiting calcs
LEARY, MICHAEL	PUBLIC WORKS	07-29-2017	Option selection
LEWIS, JANN	SHERIFF-CORONER	07-07-2017	Option selection
MOXLEY, JAMES WADE (DROP)	SHERIFF-CORONER	07-01-2017	4123.96
O'DONOHUE, SONJA	SHERIFF-CORONER	07-05-2017	6630.25 3.80*
PRINCIC, GLENN	PARKS	07-15-2017	Option selection
RIVERA, LISA L.	SOCIAL SERVICES	07-29-2017	Option selection
SECREASE, LINDA FRASER	PUBLIC HEALTH / RECIPROCAL	07-08-2017	322.50
TURK, BARBARA	SOCIAL SERVICES	07-07-2017	1442.74
<b>ADDENDUM:</b>			
TRYON, ROSE	SOCIAL SERVICES / RECIPROCAL	04-01-2017	Awaiting calcs
ARGUILLA, IRMA	PROBATION / RECIPROCAL	05-16-2017	1439.10
MARSHALL, RICHARD	PUBLIC WORKS / RECIPROCAL	05-20-2017	5666.40
ATKINS, HARRIET	PUBLIC WORKS	06-24-2017	3369.65
CURRY, SCOTT (DROP)	SHERIFF-CORONER	06-01-2017	5507.39
WALKER, DAVID (DROP)	SHERIFF-CORONER	06-01-2017	Option selection

\* 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

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Date: August 28, 2017  
To: Board of Trustees  
From: Carl Nelson – Executive Secretary

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

#### **Recommendation:**

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:

<b>SEPTEMBER 1, 2017</b>	<b>Douglas Scotto, Sheriff Department</b>
<b>SEPTEMBER 1, 2017</b>	<b>James Ted Bench, Planning &amp; Building</b>
<b>SEPTEMBER 1, 2017</b>	<b>Janet Dishen, Sheriff Department</b>

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Date: August 28, 2017

To: Board of Trustees

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

### **Agenda Item Number 6: Actuarial Audit – Scope of Audit and Firm Selection (revised and updated)**

#### **Recommendation:**

Staff recommends that the Board of Trustees –

- Approve a Full Replication actuarial audit of the 2017 Actuarial Valuation at a not to exceed cost of \$70,000.
- Approve the retention of Bartel Associates.

#### **Background:**

It is the practice of the Pension Trust to have the following actuarial reports prepared –

- **Actuarial Valuation** – annual basis – the norm for pension systems
- **Actuarial Experience Study** – biennial basis – the last Experience Study was completed in 2016 and the next one is planned for 2018. Experience studies are typically performed by pension systems every 2-5 years and inform the systems on appropriate actuarial assumptions for annual valuations.
- **Actuarial Audit** – every 5 years – A review of the Plan Actuary’s valuation results and methodology by a separate actuarial firm. This is similar to a peer review in the financial auditing area. Actuarial Audits can be performed on a “full replication basis” or a less costly “limited scope” basis. While more costly, the SLOCPT has

historically had full replication actuarial audits performed. Pension systems typically have actuarial audits performed on a 5-10 year cycle.

#### **2012 Actuarial Audit -**

The last Actuarial Audit performed for the SLOCPT was by Cheiron on the 2012 Actuarial Valuation. Results were reported to the Board early in 2013 and provided input for minor changes to process for Gabriel Roeder Smith in the preparation of the 2013 and subsequent Actuarial Valuations. Cheiron's actuarial audit validated the Valuation results arrived at by GRS. The cost of the 2012 Actuarial Audit was \$65,000 and it was a full replication audit that repeated the valuation done by GRS.

#### **Plan Design Changes – PEPPRA Tier -**

It is significant that the actuarial audit of the 2017 Actuarial Valuation will be the first such audit to include in the valuation data the Tier 3 benefit structure resulting from PEPPRA. The 2012 Actuarial Valuation and its accompanying audit by Cheiron did not include consideration of a PEPPRA component since it was not effective until 2013.

#### **Full Replication vs. Limited Scope Actuarial Audit -**

In February, 2017 the Board of Trustees directed staff to prepare and distribute an RFP for actuarial audit services following the completion of the 2017 Annual Actuarial Valuation. The Board also directed staff to include in the RFP an option between a Full Replication actuarial audit and a Limited Scope audit. The definition of what constitutes a Limited Scope actuarial audit varies in the professional judgement of actuaries and the Pension Trust has not previously had a limited scope actuarial audit performed.

#### ***Staff recommends a Full Replication audit based on –***

- 1. The thoroughness of a full replication audit – which is done only every five years.***
- 2. The complexity of multiple benefit formulas present in the Plan.***
- 3. The 2017 Actuarial Audit will be the first such audit to include valuations performed with new Tier 3 benefit formulas post-PEPPRA.***

#### **2017 Asset/Liability Study (Verus) -**

It should be noted that due to coincidence in the timing of the 2017 Actuarial Audit and the 2017 Asset/Liability study being performed by Verus as investment consultant, there is an additional review of the 2017 Actuarial Valuation. As part of the Verus Asset/Liability study the firm uses Winklevoss Technologies (an actuarial firm) to replicate and project the 2017 valuation as a starting point for the study. This actuarial side of the Asset/Liability model is not a formal actuarial audit, but it is targeted to come within a narrow band of results of the GRS 2017 Actuarial Valuation total liabilities to validate the study. There are numerous other components of an actuarial valuation to be addressed by a formal actuarial audit, but having a third estimate at the overall liability measurement level embedded in the Asset/Liability study is an added level of review.



**GASB 67/68 -**

The RFP asks only for an actuarial audit of the 2017 Actuarial Valuation and does not include an audit of the GASB 67/68 valuation data. The GASB valuation data derives from the core Actuarial Valuation and is also the subject of financial auditor review. For this reason, actuarial audits focus on the underlying actuarial valuation and normally do not incur the added expense of reviewing GASB 67/68 reports.

**RFP Process and Responses -**

In July, 2017 an RFP for the 2017 actuarial was prepared, distributed to actuarial firms known to be active in this type of actuarial practice and posted on the Pension Trust's website. Five responses were received and evaluated by staff. The following summarizes the responses received.

Firm and Type of Audit	Cost	Comments
<b>Bartel Associates</b> Limited Scope Intermediate Scope Full Replication	\$ 15,000 \$ 40,000 \$ 70,000  <i>See accompanying RFP response</i>	Recommends full replication audit <ul style="list-style-type: none"><li>• Replication of 2016 Experience Study and 2017 Valuation (in full replication audit).</li><li>• Medium size firm with primarily Calif. clients.</li><li>• San Mateo based firm</li><li>• Review of economic and demographic assumptions, accuracy of valuation, Actuarial standards of practice.</li><li>• Experienced lead and supporting actuary personnel.</li></ul>

Firm and Type of Audit	Cost	Comments
<b>Bolton Partners</b> Limited Scope Full Replication	\$ 50,000 \$ 65,000  <i>See accompanying RFP response</i>	<ul style="list-style-type: none"> <li>• Replication or sampling of 2017 Valuation. Review (but not replication) of 2016 Experience Study.</li> <li>• Large national firm, broad experience, 7+ Calif. county retirement systems audits.</li> <li>• Baltimore based team</li> <li>• Experience auditing GRS valuations.</li> <li>• Review of economic and demographic assumptions, cost method, accuracy of valuation, Actuarial standards of practice.</li> <li>• Experienced lead and supporting actuary personnel.</li> </ul>
<b>Cheiron</b> Limited Scope Full Replication	\$ 40,000 \$ 65,000  <i>See accompanying RFP response</i>	<i>Performed 2012 actuarial audit</i> <ul style="list-style-type: none"> <li>• Replication or sampling of 2017 Valuation. Review (but not replication) of 2016 Experience Study.</li> <li>• Large national firm, broad experience, 17+ Calif. retirement systems clients.</li> <li>• San Francisco office, audit team Portland and San Diego based.</li> <li>• Review of economic and demographic assumptions, funding progress, accuracy of valuation, Actuarial standards of practice.</li> <li>• Experienced lead and supporting actuary personnel. Same team as used for 2012 Actuarial Audit (Bill Hallmark and Anne Harper). Harper is a former GRS actuary. Strong Calif. client base.</li> </ul>
<b>Conduent</b> (formerly Buck Consultants)	Non-respondent	<i>Performed 2007 actuarial audit (as Buck)</i>

Firm and Type of Audit	Cost	Comments
<b>Milliman</b> Limited Scope Full Replication	Not proposed \$ 72,000  <i>See accompanying RFP response</i>	<i>Performed 2002-2007 review of actuarial reports and benefit calculation review.</i> <ul style="list-style-type: none"> <li>• Replication of 2017 Valuation.</li> <li>• Large national firm, broad experience, some Calif. retirement systems audits.</li> <li>• Seattle based team.</li> <li>• Extensive actuarial audit experience.</li> <li>• Review of economic and demographic assumptions, accuracy of valuation, Actuarial standards of practice.</li> <li>• Experienced lead and supporting actuary personnel.</li> </ul>
<b>Roeder Financial</b>	Recused	<i>Roeder notes that as the SLOCPT actuary for a significant period with the current actuarial firm, that he had a hand in the formation of GRS methodologies. As a result, his independence is problematic for an actuarial audit assignment.</i>
<b>Segal</b> Limited Scope Full Replication	\$ 40,000 \$ 80,000  <i>See accompanying RFP response</i>	<ul style="list-style-type: none"> <li>• Replication or sampling of 2017 Valuation. Review (but not replication) of 2016 Experience Study.</li> <li>• Large national firm, broad experience, 25+ Calif. retirement systems clients.</li> <li>• San Francisco based team.</li> <li>• Review of economic and demographic assumptions, funding progress, accuracy of valuation, Actuarial standards of practice.</li> <li>• Experienced lead and supporting actuary personnel. Strong Calif. client base.</li> </ul>

#### **Firm Selection Considerations -**

Factors to consider in the selection of an actuarial audit firm include –

- Experience with California retirement systems.

- Level of focus in their practice on actuarial audits vs. valuations – both are important.
- Professional qualifications of lead and supporting actuaries.
- Auditor rotation – is it reasonable to use a different firm than the actuarial firm that performed the most recent actuarial audit? Or are their economies and efficiencies to be gained from using a firm more experienced with SLOCPT's valuation or working with Gabriel Roeder Smith valuations?
- Conflicts of interest – conflicts of interest are rare in the actuarial sector, but possible conflicts are a topic to inquire about.
- References
- Scope of the audit – does it thoroughly cover economic and demographic assumptions, valuation accuracy, actuarial standards of practice? Does the scope of audit include review of the preceding 2015 Experience Study as well?
- Fees

## Recommended Firm -

After reviewing the RFPs Staff finds that any of the responding firms would be well qualified and experienced to conduct the 2017 Actuarial Audit. Staff selected Bartel and Milliman as the two most likely candidate firms for reasons discussed below. After completing reference calls on these two firms, **Staff recommends the retention of Bartel Associates for the 2017 Actuarial Audit.** Chris Waddell as General Counsel has had exposure to most of the responding actuarial firms and has favorable opinions on all of them. Two distinguishing factors in the Bartel proposal are highlighted in boldface in the summary table below.

Firm	Pros	Cons
<b>Bartel Associates</b> (Staff recommended)	<ul style="list-style-type: none"><li>• Well qualified</li><li>• Strong California base, particularly in consulting roles such as audits.</li><li>• Excellent references, particularly on thoroughness and clear presentation of results.</li><li>• <b>Replication of 2016 Experience Study in addition to replication of the 2017 Valuation</b></li><li>• <b>\$70K cost on a not-to-exceed basis – so actual costs could be lower</b></li></ul>	<ul style="list-style-type: none"><li>• Smaller firm (11 actuaries).</li></ul>
<b>Bolton Partners</b>	<ul style="list-style-type: none"><li>• Well qualified</li><li>• Lowest cost (\$65k set fee) proposal for full replication audit</li></ul>	<ul style="list-style-type: none"><li>• California experience in audits</li><li>• Review of 2016 Experience study, but not replication.</li></ul>
<b>Cheiron</b>	<ul style="list-style-type: none"><li>• Well qualified</li><li>• Familiar with SLOCPT from 2012 Audit</li><li>• Lowest cost (\$65k set fee) proposal for full replication audit</li></ul>	<ul style="list-style-type: none"><li>• Staff recommends Actuarial Audit rotation so the same firm does not perform 2 audits in a row</li></ul>

<b>Firm</b>	<b>Pros</b>	<b>Cons</b>
<b>Milliman</b>	<ul style="list-style-type: none"> <li>• Well qualified</li> <li>• Familiar with SLOCPT from 2002 audit work</li> <li>• Strong references, particularly on in-depth approach and thoroughness</li> </ul>	<ul style="list-style-type: none"> <li>• Well qualified</li> <li>• Review of 2016 Experience study, but not replication.</li> <li>• Medium cost (\$72k set fee) proposal for full replication audit</li> </ul>
<b>Segal</b>	<ul style="list-style-type: none"> <li>• Well qualified</li> <li>• Large firm with deep pool of actuaries.</li> </ul>	<ul style="list-style-type: none"> <li>• Highest cost proposal at \$80k set fee</li> <li>• Review of 2016 Experience study, but not replication.</li> </ul>

Respectfully Submitted

Carl Nelson  
Amy Burke

## Board of Trustees

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



Date: August 28, 2017

To: Board of Trustees

From: Carl Nelson – Executive Secretary  
Amy Burke – Deputy Executive Secretary  
Jennifer Alderete – Financial Accountant

### **Agenda Item 7: June 30, 2017 Mid-Year Financial Statements and Fiscal Year (FY) 2016-2017 Administrative Budget Status**

#### **Recommendation:**

It is recommended by Staff that the Board of Trustees –

- Receive and file the unaudited June 30, 2017 mid-year financial statements
- Receive and file the final FY16-17 Administrative Budget status report

#### **Discussion:**

Attached for your review are the following reports issued for the San Luis Obispo County Pension Trust:

- Statements of Fiduciary Net Position as of June 30, 2017 (unaudited) and December 31, 2016
- Statements of Changes in Fiduciary Net Position for the six months ended June 30, 2017 (unaudited) and the year ended December 31, 2016
- Final Administrative Budget Status – FY16-17

The SLOCPT produces audited financial statements in a full Comprehensive Annual Financial Report (CAFR) format as of the end of each calendar year. As a further accounting report to the Board of Trustees, Staff has maintained the practice of closing its books mid-year as well, and producing a set of basic unaudited financial statements as of June 30<sup>th</sup>. For comparison purposes, figures for the prior year end have been included.

The SLOCPT's FY16-17 Administrative Budget was adopted by the Board of Trustees. The total expense budget for FY16-17 was adopted to be \$2,687,500. Staff has determined actual expenses to be \$2,521,482 for FY16-17, which is \$166,018 or 6.18% under the approved budget. Actual expenses for FY15-16 and FY17-18 adopted budget amounts have been shown for comparison.

Respectfully Submitted,

Carl Nelson  
Executive Secretary

Amy Burke  
Deputy Executive Secretary

Jennifer Alderete  
Financial Accountant



**SAN LUIS OBISPO COUNTY PENSION TRUST**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**JUNE 30, 2017 AND DECEMBER 31, 2016**

	Unaudited 6/30/2017	12/31/2016
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 39,486,563	\$ 54,629,879
Receivables		
Accrued Interest and Dividends Receivable	661,264	1,077,861
Accounts Receivable	11,482	28,755
Contributions Receivable	2,717,296	2,334,164
Securities Sold	5,431,862	25,894,180
Total Receivables	8,821,904	29,334,960
Investments, at Fair Value		
Bonds and Notes	281,877,555	294,707,759
International Fixed Income	132,308,926	120,949,962
Collateralized Mortgage Obligations	3,290,234	3,290,234
Domestic Equities	261,167,165	246,898,942
International Equities	286,554,571	262,107,462
Alternative Investments	74,690,085	70,945,818
Real Estate	170,228,029	174,948,247
Total Investments	1,210,116,565	1,173,848,424
Other Assets		
Prepaid Expenses	113,917	62,182
Capital Assets - Net of Accumulated Depreciation	2,255,779	992,043
Total Other Assets	2,369,696	1,054,225
Total Assets	\$ 1,260,794,728	\$ 1,258,867,488
<b>LIABILITIES</b>		
Securities Purchased	\$ 23,887,972	\$ 52,248,170
Accrued Liabilities	764,419	1,137,458
Prefunded Contributions	704,434	24,239,002
Total Liabilities	\$ 25,356,825	\$ 77,624,630
<b>FIDUCIARY NET POSITION</b>		
Net Position Restricted for Pensions	\$ 1,235,437,903	\$ 1,181,242,858

**SAN LUIS OBISPO COUNTY PENSION TRUST**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**SIX MONTHS ENDED JUNE 30, 2017 AND YEAR ENDED DECEMBER 31, 2016**

	Unaudited 6/30/2017	12/31/2016
<b>ADDITIONS</b>		
Contributions		
Employer Contributions	\$ 20,394,101	\$ 35,451,409
Plan Member Contributions	14,863,270	25,359,069
Total Contributions	35,257,371	60,810,478
Investment Income (Loss)		
Realized and Unrealized Gains and Losses, Net	62,695,841	57,694,722
Interest	1,709,732	4,724,929
Dividends	1,675,308	9,579,900
Real Estate Management Trust Income, Net	126,351	94,037
Real Estate Operating Income, Net	211,498	908,420
Investment Expenses	(1,173,461)	(4,052,702)
Net Investment Income (Loss)	65,245,269	68,949,306
Total Additions	100,502,640	129,759,784
<b>DEDUCTIONS</b>		
Benefits		
Monthly Benefit Payments	41,695,977	78,193,401
Refund of Contributions	1,633,196	2,247,166
Death Benefits	695,260	242,738
Total Benefits	44,024,433	80,683,305
Other Deductions		
Administration and Actuarial	1,109,285	2,248,956
Prefunded Discount Amortization	1,173,877	1,387,369
Total Other Deductions	2,283,162	3,636,325
Total Deductions	46,307,595	84,319,630
Net Increase (Decrease) in Fiduciary Net Position	\$ 54,195,045	\$ 45,440,154
Net Position Restricted for Pensions - December 31, 2016 and December 31, 2015	\$ 1,181,242,858	\$ 1,135,802,704
Net Position Restricted for Pensions - June 30, 2017 and December 31, 2016	\$ 1,235,437,903	\$ 1,181,242,858

**San Luis Obispo County Pension Trust**

**BUDGET STATUS UPDATE**

**Fiscal Year 2016-2017**

*as of 6/30/2017*

	FY15-16 Actual Expenses	FY16-17 Adopted Budget	FY16-17 Total Expenses	Budget Variance	FY17-18 Adopted Budget
<b>INVESTMENT EXPENSE (discretionary):</b>					
<b>Custody &amp; Consultant</b>	<b>\$ 379,463</b>	<b>\$ 455,000</b>	<b>\$ 445,053</b>	<b>\$ (9,947)</b>	<b>\$ 461,000</b>
<b>ADMINISTRATIVE EXPENSE:</b>					
<b>Personnel Services</b>	<b>\$ 1,162,693</b>	<b>\$ 1,271,200</b>	<b>\$ 1,236,397</b>	<b>\$ (34,803)</b>	<b>\$ 1,340,500</b>
<b>Professional Service</b>					
Accounting & Auditing	47,812	50,600	62,006	11,406	53,000
Actuarial	108,333	83,000	108,292	25,292	170,000
Legal	202,162	187,500	211,920	24,420	231,400
Medical Evaluations - Disabilities	3,000	21,500	22,500	1,000	21,500
Human Resources Consulting	441	5,000	5,000	-	5,000
Information Technology Services	334,023	174,400	173,531	(869)	175,000
Banking and Payroll	12,387	10,500	19,912	9,412	22,500
Other Professional Services	-	500	4,004	3,504	2,500
<b>Total Professional Services</b>	<b>\$ 708,158</b>	<b>\$ 533,000</b>	<b>\$ 607,165</b>	<b>\$ 74,165</b>	<b>\$ 680,900</b>
<b>Other Expenses</b>					
Trustee Election Expenses	-	6,000	-	(6,000)	6,000
Insurance	112,046	119,000	116,423	(2,577)	123,000
Building Maintenance	31,626	33,000	30,489	(2,511)	33,500
Office Expense	19,585	30,900	18,376	(12,524)	27,000
Memberships & Publications	4,608	5,400	4,723	(677)	5,100
Postage	23,260	27,000	22,924	(4,076)	27,000
Communications	3,733	5,000	3,441	(1,559)	5,000
Training & Travel	23,003	55,900	24,303	(31,597)	49,000
Information Technology	2,783	6,500	4,372	(2,128)	4,500
Equipment	11,614	11,600	7,816	(3,784)	8,000
<b>Total Other Expenses</b>	<b>\$ 232,258</b>	<b>\$ 300,300</b>	<b>\$ 232,867</b>	<b>\$ (67,433)</b>	<b>\$ 288,100</b>
<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 2,103,109</b>	<b>\$ 2,104,500</b>	<b>\$ 2,076,429</b>	<b>\$ (28,071)</b>	<b>\$ 2,309,500</b>
<b>TOTAL ADMIN. + INVEST.</b>	<b>\$ 2,482,572</b>	<b>\$ 2,559,500</b>	<b>\$ 2,521,482</b>	<b>\$ (38,018)</b>	<b>\$ 2,770,500</b>
<b>Contingencies</b>	<b>\$ -</b>	<b>\$ 128,000</b>	<b>\$ -</b>	<b>\$ (128,000)</b>	<b>\$ 139,000</b>
<b>TOTAL</b>	<b>\$ 2,482,572</b>	<b>\$ 2,687,500</b>	<b>\$ 2,521,482</b>	<b>\$ (166,018)</b>	<b>\$ 2,909,500</b>

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## Board of Trustees

1000 Mill Street  
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www.SLOPensionTrust.org



Date: August 28, 2017

To: Board of Trustees

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

### **Agenda Item 8: Budget Amendment – FY 17-18**

#### **Recommendation:**

It is recommended by Staff that the Board of Trustees approve the following amendments to the SLOCPT FY17-18 Administrative Budget:

- An increase to Accounting & Auditing expense in the amount of \$8,000 from \$53,000 to \$61,000.
- An increase to Equipment expenses in the amount of \$5,000 from \$8,000 to \$13,000.
- A decrease to Contingencies in the amount of \$13,000 from \$139,000 to \$126,000.

#### **Discussion:**

The proposed increase in the Accounting & Auditing expense was due to an oversight in the original budget. Fees associated with the preparation and Audit of the newly implemented GASB 67 & 68 requirements were mistakenly excluded from the originally proposed figure. This oversight was brought to light with the preparation of Agenda Item 7: FY16-17 Budget Status update.

The proposed increase in Equipment expenses is to fund the furnishing of two offices. In early 2015 three offices of the SLOCPT were equipped with updated furniture to better accommodate the customer service needs of our members. Staff would like to refresh the furniture in two more offices this budget cycle.

The proposed reduction in Contingencies will be used to offset increased expenses associated with the two items listed above. The net impact to the FY17-18 Budget will be zero. The reason for presenting this budget amendment to the Board of Trustees is due to a portion of the increase being due to a discretionary expenditure for durable assets (furniture).

Respectfully Submitted,

**San Luis Obispo County Pension Trust**  
**PROPOSED BUDGET AMENDMENTS:**  
**Fiscal Year 2017-2018**

	FY17-18 Adopted Budget	Proposed Amendments	FY17-18 Proposed Budget
<b>INVESTMENT EXPENSE (discretionary):</b>			
<b>Invest. Exp. (Discretionary)</b>	<b>\$ 461,000</b>	<b>\$ -</b>	<b>\$ 461,000</b>
<b>ADMINISTRATIVE EXPENSE:</b>			
<b>Personnel Services</b>	<b>\$ 1,340,500</b>	<b>\$ -</b>	<b>\$ 1,340,500</b>
<b>Professional Service</b>			
Accounting & Auditing	53,000	8,000	61,000
Actuarial	170,000	-	170,000
Legal	231,400	-	231,400
Medical Evaluations - Disabilities	21,500	-	21,500
Human Resources Consulting	5,000	-	5,000
Information Technology Services	175,000	-	175,000
Banking and Payroll	22,500	-	22,500
Other Professional Services	2,500	-	2,500
<b>Total Professional Services</b>	<b>\$ 680,900</b>	<b>\$ 8,000</b>	<b>\$ 688,900</b>
<b>Other Expenses</b>			
Trustee Election Expenses	6,000	-	6,000
Insurance	123,000	-	123,000
Building Maintenance	33,500	-	33,500
Office Expense	27,000	-	27,000
Memberships & Publications	5,100	-	5,100
Postage	27,000	-	27,000
Communications	5,000	-	5,000
Training & Travel	49,000	-	49,000
Information Technology	4,500	-	4,500
Equipment	8,000	5,000	13,000
<b>Total Other Expenses</b>	<b>\$ 288,100</b>	<b>\$ 5,000</b>	<b>\$ 293,100</b>
<b>Contingencies</b>	<b>\$ 139,000</b>	<b>\$ (13,000)</b>	<b>\$ 126,000</b>
<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 2,448,500</b>	<b>\$ -</b>	<b>\$ 2,448,500</b>
<b>ADMIN. + INVEST. (discretionary)</b>	<b>\$ 2,909,500</b>	<b>\$ -</b>	<b>\$ 2,909,500</b>

## Board of Trustees

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Date: August 28, 2017

To: Board of Trustees

From: Chris Waddell – General Counsel

### **Agenda Item 9: Executive Secretary Compensation Policy**

#### **Recommendation:**

The Personnel Committee recommends that the Board of Trustees review, discuss and approve the Executive Secretary Compensation Policy attached hereto.

#### **Discussion:**

Over the course of several meetings, the Committee has discussed and provided direction regarding the desired elements of an Executive Secretary Compensation Policy. Key elements of the direction provided include:

- Primary benchmarking to chief executive positions at comparable (asset size; staffing levels; geographic proximity) California public retirement systems;
- Consideration of general economic factors, including public and private sector wage environment;
- Biennial salary review commencing in July, 2017, aligned with the release of the biennial CALAPRS salary survey;
- Provision for “off cycle” reviews where deemed appropriate in order to consider internal salary relationships in the event that other Pension Trust staff whose compensation is benchmarked to County positions receive salary increases based upon such benchmarks;

At its March 20, 2017 meeting, the Committee reviewed, discussed and approved the attached new policy which incorporates the Committee’s prior direction. The Committee recommends that the Board of Trustees adopts this policy, which would be used to guide the Committee and the Board in its first biennial review of the Executive Secretary’s salary range in September or October of this year.

Respectfully Submitted,

Chris Waddell  
General Counsel

Attachment





## **Executive Secretary Compensation Policy**

### **INTRODUCTION**

1. The Pension Trust Board of Trustees' fiduciary duties of loyalty, skill care and diligence extend across all facets of Pension Trust governance. Accordingly, our Trustees recognize that one of their most important functions is to assure that the organization has effective executive management. This includes having an Executive Secretary Compensation Policy that supports the successful recruitment, development, and retention of an Executive Secretary, thereby allowing the Pension Trust to fulfill its mission and successfully meet its business objectives.

### **REVISION AUTHORITY**

2. The Board of Trustees reserves the right to rescind or modify this Policy at any time.

### **EFFECTIVE DATE**

3. This Policy was adopted by the Board of Trustees on \_\_\_\_\_, 2017.

### **PHILOSOPHY**

4. This Policy is designed with the goal of providing remuneration to the Executive Secretary that is fair, reasonable and appropriately competitive.

### **OBJECTIVES**

5. The objectives of this policy are as follows:
  - a. To provide fair, reasonable yet competitive total compensation;
  - b. To ensure that the Pension Trust is in a position to attract and retain competent executive talent;
  - c. To properly balance the Pension Trust's needs to be competitive for competent talent with our obligation to act as prudent fiduciaries and operate within the limits of available financial resources.

## **ESTABLISHING COMPENSATION**

6. This Policy is designed to afford the Pension Trust with the opportunity to compete reasonably for talent. In general, a well-structured compensation program is considered “competitive” when it is targeted at the competitive median of comparative organizations.

## **COMPETITIVE BENCHMARKING**

7. The relevant comparators for the compensation of the Executive Secretary consist of comparative California public pension systems, taking into account factors such as assets, staffing levels and geographic proximity.
8. Commencing on July 1, 2017 and every other year thereafter, the biennial CALAPRS salary survey for the chief executive positions of California pension systems will be provided to the Personnel Committee. The Committee will review this data and determine whether any adjustments to compensation for the Executive Secretary are appropriate for recommendation to the full Board of Trustees, taking into account the following factors:
  - a. The CALAPRS salary survey data for systems determined by the Committee to be comparable to the Pension Trust;
  - b. Internal equity factors;
  - c. General local economic factors, including the local public and private sector wage environment.

## **POTENTIAL “OFF-CYCLE” REVIEW**

9. If the Personnel Committee deems appropriate, it may provide for an “off cycle” review in order to consider internal salary relationships in the event that other Pension Trust staff whose compensation is benchmarked to County positions receive salary increases based upon such benchmarks.

## **RECOMMENDATION TO BOARD OF TRUSTEES**

10. Following each biennial review and any off-cycle review, the Personnel Committee will make a report to the Board of Trustees that will include any recommended changes in the compensation for the Executive Secretary and the rationale either for such changes or for not making any changes at that time. The Board of Trustees reserve the right either to accept and adopt the recommendations, reject the recommendations, or reject the recommendations and adopt alternative compensation changes.

## Board of Trustees

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Date: August 28, 2017

To: Board of Trustees

From: Chris Waddell – General Counsel

### **Agenda Item 10: Executive Secretary Evaluation Template**

#### **Recommendation:**

The Personnel Committee recommends that the Board of Trustees adopts the attached revisions to the template used for the Executive Secretary's annual performance evaluation.

#### **Discussion:**

At its November 6, 2017 meeting, the Committee reviewed the existing template for the Executive Secretary's annual performance evaluation and directed that the General Counsel prepare and provide revisions to the existing template to the Committee for review and discussion at a future meeting. The Committee provided additional direction regarding reducing the number of ratings factors from five to three (Exceeds Expectations; Meets Expectations; Not Meeting Expectations). The Committee also requested that a ratings category be added for "Board Communications/Relationship between Executive Secretary and Board."

Thereafter, at its March 20, 2017 meeting, the Committee reviewed, discussed and approved the attached revisions to the template, which reflect the Committee's prior direction and adds proposed definitions of the three ratings factors. The Committee recommends that the Board of Trustees adopt the revised template, which would then be used for the Executive Secretary's 2017 annual performance evaluation.

Respectfully Submitted,

Chris Waddell  
General Counsel

Attachment

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Employee:		Job Title:	Executive Secretary
Evaluation Period:		Date of Evaluation:	
Evaluation Purpose:	<input checked="" type="checkbox"/> Annual Evaluation <input type="checkbox"/> Special Evaluation	Evaluator:	<b>Pension Trust Board of Trustees</b>

Evaluation Criteria:      **3 = Exceeds expectations**  
                                      **2 = Meets expectations**  
                                      **1 = Not meeting expectations**

**Exceeds expectations** = Performance and demonstrated expertise is consistently at a superior level. Achieves outstanding results and models effective behaviors that are an inspiration to others. Over the review period, has consistently made exceptional or unique contributions to the Pension Trust. Regularly exceeds expectations for the performance of duties and responsibilities identified.

**Meets expectations** = Performance consistently meets and sometimes exceeds job requirements. All critical goals are achieved and behaviors exhibited are valued and effective. Over the review period, has made the expected contributions to the Pension Trust. Consistently met expectations for the performance of duties and responsibilities identified.

**Not meeting expectations** = Performance does not meet many job requirements on a consistent basis. Critical goals require more than usual Board follow-up and direction. Results and contributions are below those of a fully trained and competent executive. Action on performance improvement areas is required.

Rating	<b>Customer Service</b> – Attention and effort to providing excellent service to the members and other stakeholders of the Pension Trust.
	<p>1. Self Assessment –</p> <p>Comments:</p> <p>Competencies –</p> <p>Areas for improvement -</p>

Rating	<b>Work Performance</b> – The quality, quantity and timeliness of work produced on assigned duties. The level of alertness and effort directed towards accomplishing assigned duties. Attention shown to following safe and effective work practices.
	<p>1. Self Assessment -</p> <p>Comments:</p> <p>Competencies –</p> <p>Areas for improvement –</p>

Rating	<b>External Communications</b> – Quality of communications - oral, written and electronic - with external parties. Accuracy, relevance, clarity for the audience and timeliness of communications. Discretion shown in handling confidential information.
	<p>1. Self Assessment –</p> <p>Comments:</p> <p>Competencies – xxxx</p> <p>Areas for improvement –</p>

Rating	<b>Board Communications and Relationship</b> – Quality and timeliness of communications - oral, written and electronic - with Board members. Timely, thoughtful and well-written Board agenda materials. Accuracy, relevance, clarity for the audience and timeliness of communications. Discretion shown in handling confidential information.
	<p>1. Self Assessment –</p> <p>Comments:</p> <p>Competencies – xxxx</p> <p>Areas for improvement –</p>

Rating	<b>Internal Communications and Teamwork</b> – Quality of communications with staff - oral, written and electronic. Accuracy, clarity, timeliness. Willingness to cooperate and collaborate with other staff. Willingness to assist others outside of the routine scope of duties for the employee's position.
	<p>1. Self Assessment -</p> <p>Comments:</p> <p>Competencies –</p> <p>Areas for improvement –</p>

Rating	<b>Management and Supervision</b> – Quality of employee supervision, management and leadership. Clarity and professional focus of staff communications and interaction. Attention to job knowledge of supervised positions. Coordination of workflow and staff interactions with other staff. Constructive and timely feedback. Attention to training and professional development of staff.
	<p>1. Self Assessment –</p> <p>Comments:</p> <p>Competencies –</p> <p>Areas for improvement -</p>

Rating	<b>Professionalism</b> – Professional appearance and conduct that reflects positively on the organization. Willingness to put the good of the organization above personal interests. Creativity in solving problems and issues. Ethical behavior.
	<p>1. Self Assessment –</p> <p>Comments:</p> <p>Competencies –</p> <p>Areas for improvement -</p>



San Luis Obispo County Pension Trust  
Employee Performance Evaluation and Goal Setting

Employee:  
Period:

Rating	<b>Technology –</b>
	<p>1. Self Assessment -</p> <p>Comments:</p> <p>Competencies –</p> <p>Areas for improvement -</p>

Rating	<b>OVERALL PERFORMANCE RATING –</b>
	<p>Comments:</p> <p>Competencies –</p> <p>Areas for improvement -</p>

	<b>Goal Setting for Preceding Period – July 2016 to June 2017</b>
	<p><b>Specific Goals:</b></p> <p>1) PAS Replacement</p> <p>Executive Secretary Comment:</p> <p>Board Comment:</p> <p>2) Staff Development</p> <p>Executive Secretary Comment:</p> <p>Board Comment:</p> <p>3) Member Communications</p> <p>a)</p> <p>Executive Secretary Comment:</p> <p>Board Comment:</p> <p>4) Board of Trustees</p> <p>Executive Secretary Comment:</p> <p>Board Comment:</p>

	<b>Goal Setting for Subsequent Period – July 2017 to June 2018</b>
	<p><b>Specific Goals:</b></p> <p>Specific Project Goals –</p> <p>1) PAS Replacement</p> <p>Board Comment:</p> <p>2) Staff Development</p> <p>Board Comment:</p> <p>3) Investments</p> <p>Board Comment:</p> <p>4) Board of Trustees</p> <p>Board Comment:</p>

[illegible]

## Board of Trustees

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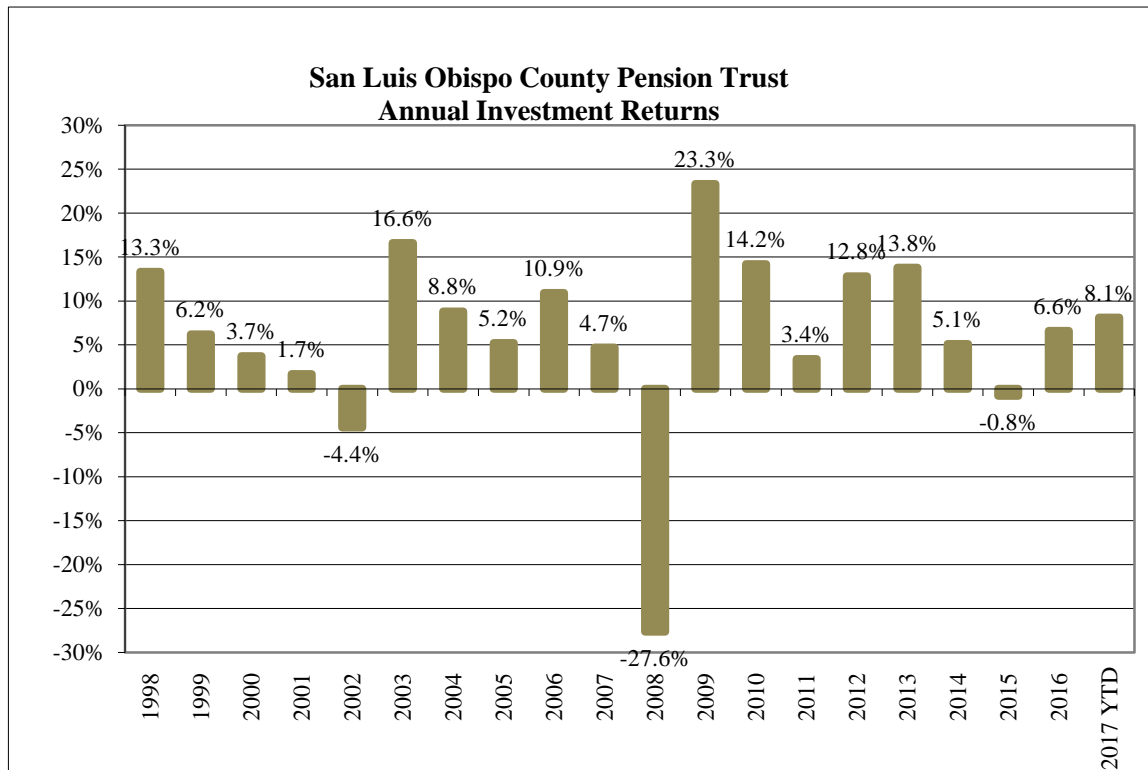
Date: August 28, 2017

To: Board of Trustees

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

### **Agenda Item 11: Quarterly Investment Report for the 2nd Quarter of 2017**

Attached to this memo is the 2Q17 quarterly investment report prepared by the Trust's investment consultant Verus. Scott Whalen of Verus will make a detailed presentation and discuss the quarterly report. The long term history of the rates of return gross of fees of the Pension Trust are shown below as an extension of the data in the Verus report.



The Verus report shows the gross rate of return of the Pension Trust for the 12 months ended June 30, 2017 to be 10.8%.



# **PERSPECTIVES** THAT DRIVE ENTERPRISE SUCCESS



**PERIOD ENDING: JUNE 30, 2017**

Investment Performance Review for

**San Luis Obispo County Pension Trust**

# Table of Contents



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Investment Landscape

TAB I

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Investment Performance  
Review

TAB II





**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

**3<sup>RD</sup> QUARTER 2017  
Investment Landscape**



# Table of contents



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Economic environment	5
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Fixed income rates & credit	16
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---

Equity	22
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Other assets	33
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Appendix	36
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# 2<sup>nd</sup> quarter summary

## THE ECONOMIC CLIMATE

- Developed and emerging economies have exhibited coordinated positive growth for the first time in this recovery. Absolute growth remains subdued relative to history. [p. 15](#)
- Economic releases have begun to miss expectations in the U.S. and U.K. after much upside surprise. The Eurozone continued to deliver positive surprises, but by a smaller margin. Heightened expectations help to explain some of the recent data disappointment. [p. 10](#)
- Despite a healthy economy and longer than average expansion there is little indication of overheating in the U.S. This suggests the current expansion may have more room to run. [p. 7](#)

## MARKET PORTFOLIO IMPACTS

- Treasury yields fell slightly over the quarter. [p. 19](#)
- Credit spreads are tight, implying limited upside performance potential. U.S. credit markets have stabilized from recent defaults in the energy and metals/mining sectors. [p. 20](#)

## THE INVESTMENT CLIMATE

- Central banks communicated a more hawkish tone across developed markets. The Fed announced plans for balance sheet reduction, the ECB is expected to reduce easing starting next year, and Mark Carney of the BOE indicated he is receptive to tightening under the right conditions. Central bank governors have shown less concern over the recent decline in inflation than in the past. [p. 18](#)
- U.S. equities are expected to deliver robust earnings growth in Q2 of 6.8% YoY. Energy sector earnings have provided much of this improvement after a challenging period a year ago. [p. 30](#)

## ASSET ALLOCATION ISSUES

- Earnings growth beat expectations in recent quarters leading to a broad fall in equity price-to-earnings multiples, causing equities to become more attractive. [p. 29](#)
- Realized and implied market volatility is at historic lows across assets classes. This could be a sign of market complacency. [p. 31](#)

We maintain  
a neutral to  
slightly  
overweight  
risk stance

# What drove the market in Q2?

## “Bonds Continue Decline as Central Banks Signal Waning Stimulus”

### 10-YEAR GOVERNMENT YIELDS (%)

U.S.		U.K.		Germany	
Jun 1 <sup>st</sup>	Jul 7 <sup>th</sup>	Jun 1 <sup>st</sup>	Jul 7 <sup>th</sup>	Jun 1 <sup>st</sup>	Jul 7 <sup>th</sup>
2.21	2.38	1.07	1.31	0.30	0.57

Article Source: New York Times, June 30<sup>th</sup> 2017

## “Investors Look to Global Growth for Earnings Power”

### EQUITY EARNINGS GROWTH BY REGION (YOY)

ACWI ex U.S.	U.S.	Emerging Markets
12.0%	8.8%	18.5%

Article Source: Reuters, April 7<sup>th</sup> 2017

## “Dollar Has Worst Week in Over a Year Amid Political Uncertainty”

### USD TRADE WEIGHTED INDEX

Jan 31 <sup>st</sup>	Feb 28 <sup>th</sup>	Mar 31 <sup>st</sup>	Apr 30 <sup>th</sup>	May 31 <sup>st</sup>	Jun 30 <sup>th</sup>
127	126	124	124	123	122

Article Source: Reuters, May 19<sup>th</sup> 2017

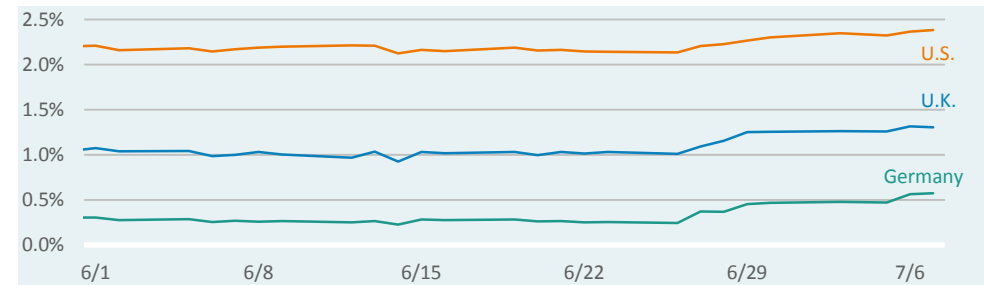
## “Tumbling U.S. Inflation Expectations Challenge the Fed”

### 10-YEAR BREAK-EVEN INFLATION RATE (%)

Jan 31 <sup>st</sup>	Feb 28 <sup>th</sup>	Mar 31 <sup>st</sup>	Apr 30 <sup>th</sup>	May 31 <sup>st</sup>	Jun 30 <sup>th</sup>
2.1	2.0	2.0	1.9	1.8	1.7

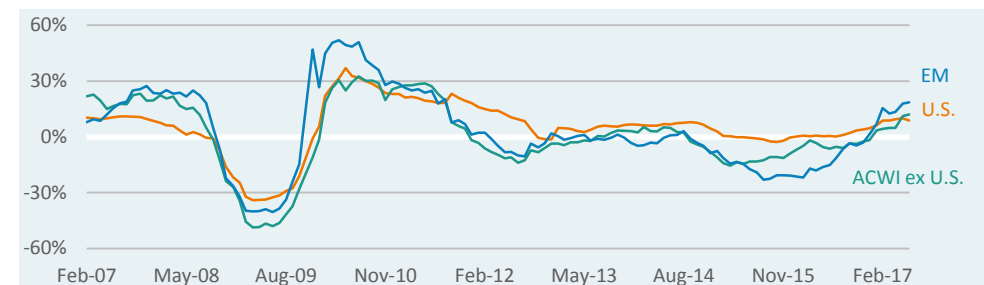
Article Source: Financial Times, June 15<sup>th</sup> 2017

### DEVELOPED 10-YEAR YIELDS



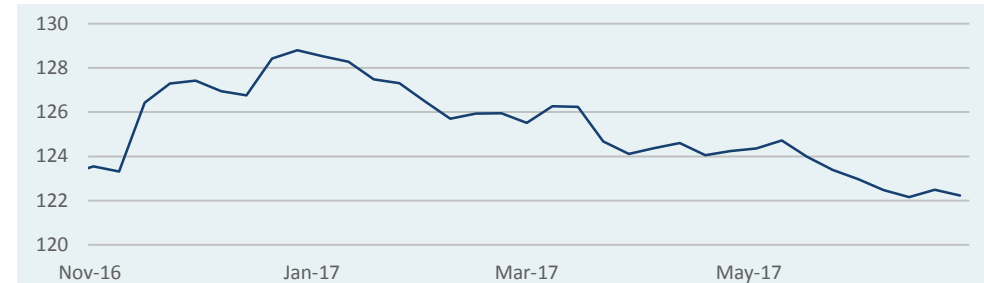
Source: Bloomberg, 7/7/17

### EARNINGS GROWTH (YOY)



Source: Bloomberg, as of 6/30/17

### USD TRADE WEIGHTED INDEX



Source: FRED, as of 6/28/17

# Economic environment

# U.S. economics summary

- U.S. real GDP grew 2.1% YoY in Q1, on par with the level of economic expansion in recent quarters. Consumer spending and business investment were the primary drivers of growth.
- Headline inflation decelerated from 2.4% in February to 1.6% in June. The slowdown was partially influenced by the effect of lower oil prices falling out of the year-over-year calculation, but the fall in price level was not solely due to energy. Lower telecom prices helped lead to a drop in core CPI, which fell from 2.0% to 1.7%.
- For a third consecutive quarter, the Fed raised the target federal funds rate by 25 bps. FOMC members looked past the recent soft patch in inflation and cited improving overall economic conditions.
- The Fed also released details on its balance sheet normalization plan, although timing remains unclear. Once the program begins, \$6 billion in Treasuries and \$4 billion in mortgage-backed securities will roll off the balance sheet each month. These amounts will increase every three months until a total cap of \$50 billion per month is reached.
- The economy added 194,000 jobs per month in the second quarter, on average. This marks the best quarter for job growth since the second quarter of 2010. Many of these jobs have been created in lower paying sectors such as leisure and hospitality, which may be helping to keep overall wage growth subdued.

	Most Recent	12 Months Prior
GDP ( <i>annual YoY</i> )	2.1% 3/31/17	1.6% 3/31/16
Inflation ( <i>CPI YoY, Headline</i> )	1.6% 6/30/17	0.9% 6/30/16
Expected Inflation ( <i>5yr-5yr forward</i> )	1.8% 6/30/17	1.5% 6/30/16
Fed Funds Rate	1.25% 6/30/17	0.50% 6/30/16
10 Year Rate	2.3% 6/30/17	1.5% 6/30/16
U-3 Unemployment	4.4% 6/30/17	4.9% 6/30/16
U-6 Unemployment	8.6% 6/30/17	9.6% 6/30/16

# U.S. economics – GDP growth

Real GDP grew 2.1% YoY in Q1 (1.4% quarterly annualized rate), slightly below expectations. First quarter growth has disappointed over the past few years, and investors seemed to overlook this release as second quarter growth forecasts were revised upward.

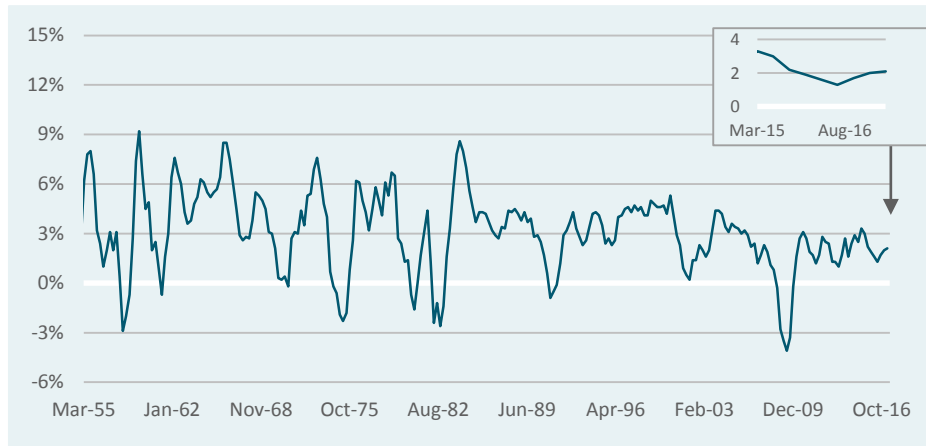
Personal consumption cooled in the first quarter, but was still a positive contributor to GDP. A temporary decline in utilities spending from milder winter weather across the country contributed to the softer growth.

Business investment increased the most in more than three years, and was the largest contributor to growth, suggestive of a rise in business confidence as companies put cash to work. Slower accumulation of private inventories was the largest detractor from GDP.

Economists are forecasting moderate economic growth throughout the rest of the year. Fundamentals for consumers and businesses remain strong even as the Fed is gradually tightening monetary policy.

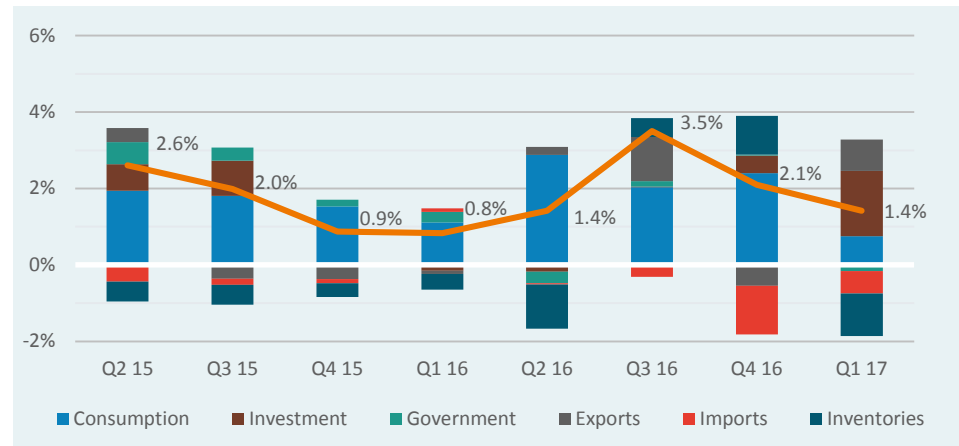
The trend of steady, moderate growth was sustained in Q1

U.S. REAL GDP GROWTH (YOY)



Source: FRED, as of 3/31/17

U.S. GDP COMPONENTS



Source: BEA, annualized quarterly rate, as of 3/31/17

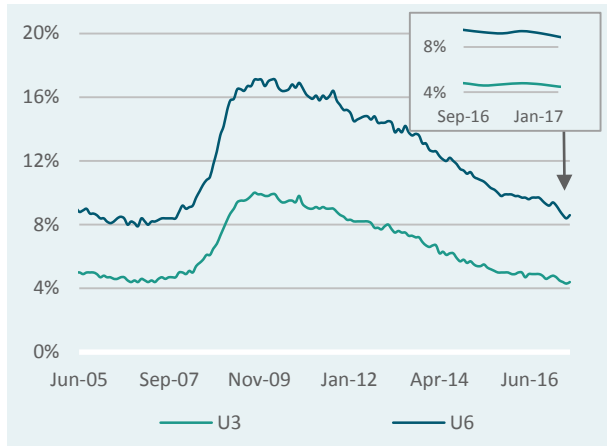
# U.S. economics – Labor market

Although low unemployment suggests a tight labor market, the economy still added jobs at a solid pace. Payrolls added an average of 194,000 jobs per month during the second quarter, compared to the expansion average of 198,000. The headline unemployment rate dropped 0.1% to 4.4%, and the broader U-6 unemployment rate fell 0.3% to 8.6%. The U-6 rate, which includes discouraged workers, has come down materially since the beginning of the year as people have reentered the labor force and been able to find work.

Despite low unemployment and other indicators of a tight labor market, workers have yet to experience strong wage gains. Average hourly earnings rose 2.5% on a nominal basis from the previous year and 0.6% on a real basis. Historically, wage growth has been higher during similar times of low unemployment. Mild wage growth is likely tied to the inflow of previously discouraged, less skilled, and less productive workers into the workforce. As these workers begin to participate in the economy they may provide continuing support for expansion.

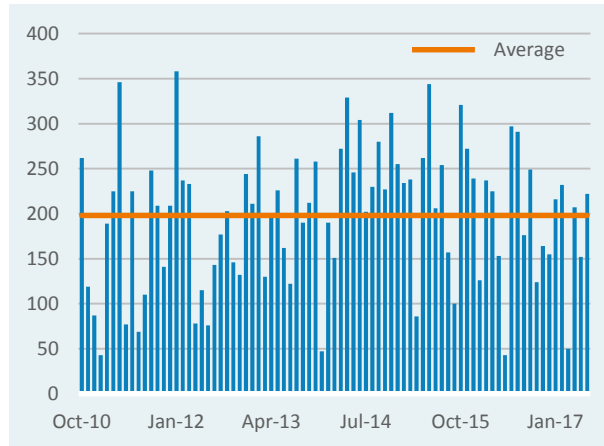
Job growth has been strong, while wages have seen less improvement

U.S. UNEMPLOYMENT



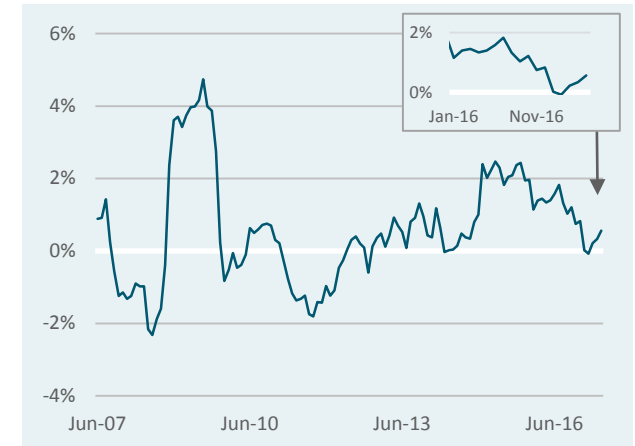
Source: FRED, as of 6/30/17

CHANGE IN NONFARM PAYROLLS (THOUSANDS)



Source: FRED, as of 6/30/17

REAL AVERAGE HOURLY EARNINGS (YOY)



Source: FRED, as of 5/31/17

# U.S. economics – The consumer

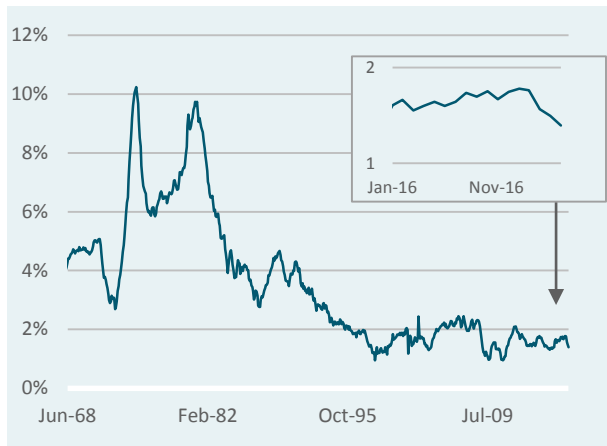
Consumer spending growth has slowed slightly this year, but is within a normal range. The move was partially due to a temporary decline in utilities expenditures. Despite the recent cooling, the fundamental picture for consumers is still positive. Low inflation, low unemployment, and moderate wage gains should provide a backdrop for further spending growth even though it appears less likely that the post-election jump in consumer sentiment will translate into a large increase in spending.

In addition, households have experienced a significant deleveraging over the past few years, and consumers have used credit sparingly in this cycle relative to history. Healthy balance sheets and a low interest burden should also support moderate spending in the future.

A potential risk to the consumer is that borrowing costs such as credit card, auto and student loan interest rates, are expected to rise along with Fed monetary tightening. This will act as a headwind to income and spending, but at this point these borrowing rates have only experienced a slight increase.

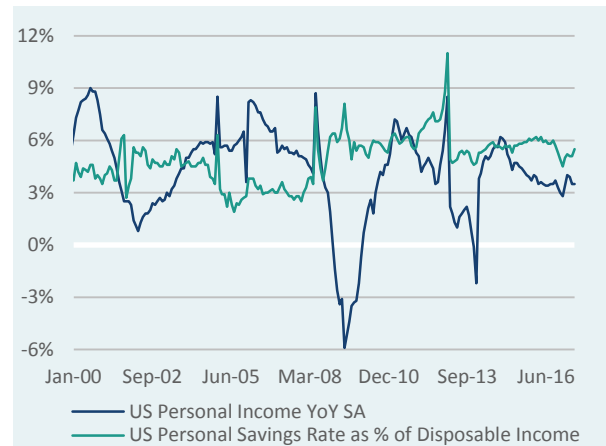
Consumer spending has cooled, but is still an important contributor to growth

CONSUMER SPENDING (YOY GROWTH)



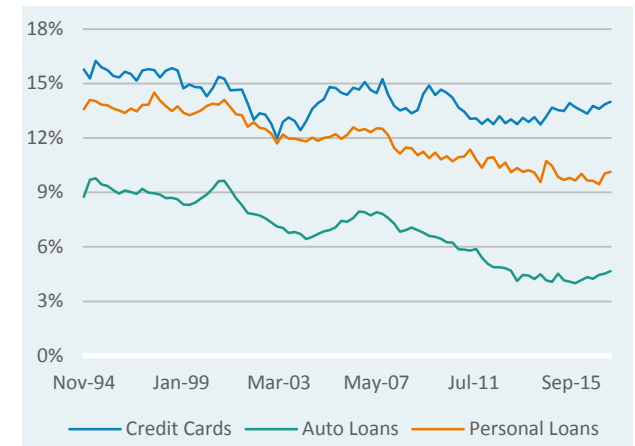
Source: Bloomberg, as of 5/31/17

SAVINGS & INCOME (YOY)



Source: FRED, as of 5/31/17

CONSUMER INTEREST RATES



Source: FRED, as of 5/31/17



# U.S. economics – Sentiment

Consumer sentiment indicators have trended downward from post-election highs, but remain elevated from a historical perspective. The University of Michigan Consumer Sentiment Index, which tracks both consumers' perception of current conditions and expectations of future conditions, fell from 96.9 to 95.1 during the quarter, its lowest level since the election.

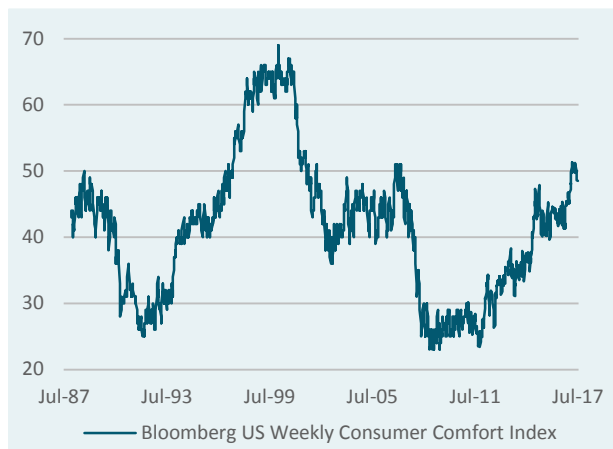
Weakened confidence was fueled by uncertainty surrounding fiscal policies, as reported by the University of Michigan Sentiment Survey. Consumers expect a low likelihood of successful policy implementation. Progress

from the Trump administration on these policies could lead to a positive surprise.

In aggregate, U.S. economic data came in below expectations during the quarter as the Citi Economic Surprise Index fell from 48 to -73. Although the drop is somewhat concerning, this indicator tends to be mean-reverting in nature and some of the decline should be expected. A positive (negative) reading of the Economic Surprise Index suggests that economic releases have on balance been beating (missing) consensus.

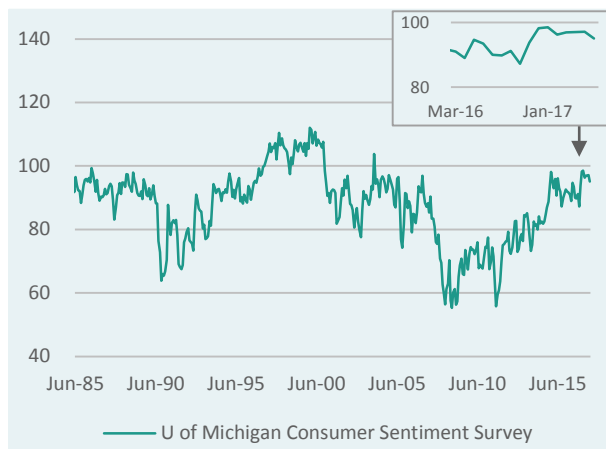
Consumer sentiment has faded since the post-election peak

**CONSUMER COMFORT INDEX**



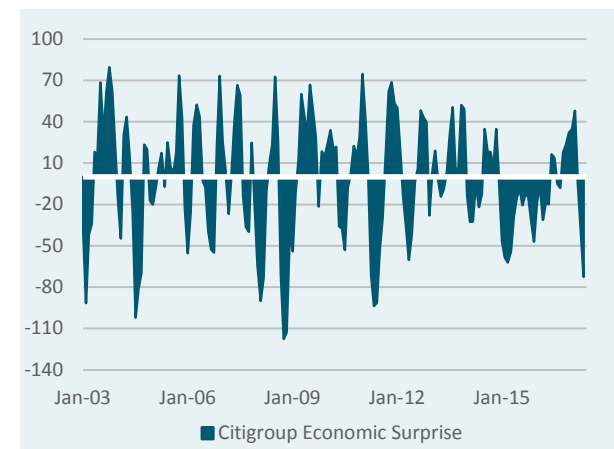
Source: Bloomberg, as of 7/2/17 (see Appendix)

**CONSUMER SENTIMENT**



Source: University of Michigan, as of 6/30/17 (see Appendix)

**U.S. ECONOMIC SURPRISE**



Source: Bloomberg, as of 6/30/17 (see Appendix for details)

# U.S. economics – Housing

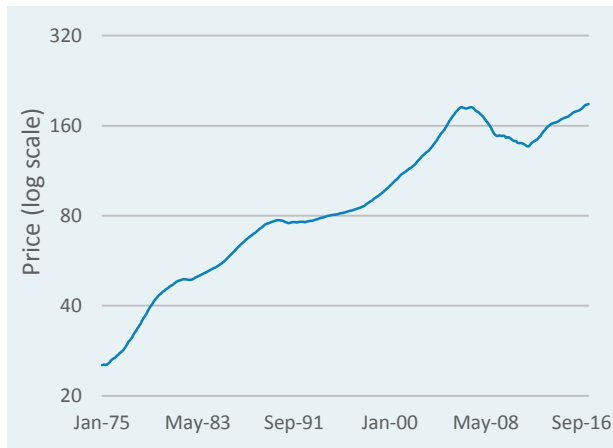
Single family home prices increased at a steady rate amid strong demand and low supply. Over the past 12 months, the Case-Shiller National Home Price Index rose 5.5%. Seattle, Portland, and Dallas reported the highest yearly growth among the top 20 metropolitan areas.

Tighter mortgage lending standards by banks have led to a higher quality pool of borrowers than in the previous real estate cycle. In addition to tighter lending standards, household deleveraging and lower interest rates have

been important drivers of lower delinquency and default rates. Mortgage rates spiked following the election, but have since come down slightly.

Housing starts and permits declined throughout the quarter, indicating a slowing of construction activity that could weigh on economic growth. The market is already constrained by low supply, and if new construction were to decline further, it may add upward pressure to housing prices.

**CASE-SHILLER HOME PRICE INDEX**



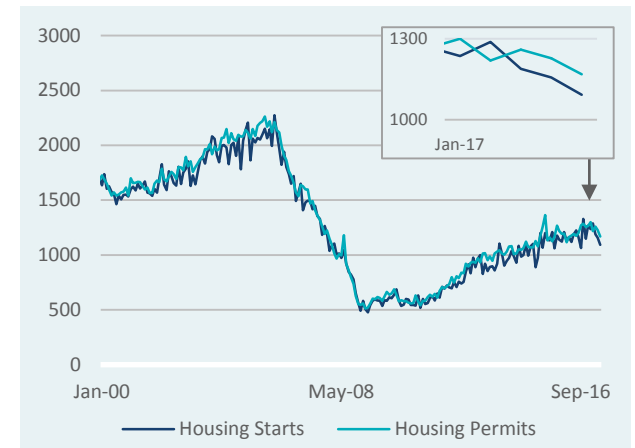
Source: FRED, as of 4/30/17

**30-YEAR MORTGAGE RATE**



Source: FRED, as of 7/6/17

**HOUSING STARTS AND PERMITS**



Source: FRED, as of 5/31/17

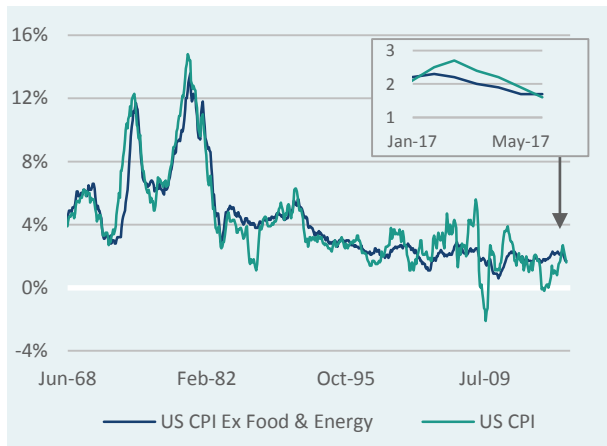
# U.S. economics – Inflation

Inflation decelerated during the quarter, falling back below the Fed's target of 2%. Headline CPI fell 0.8% to 1.6% and core CPI (ex food and energy) declined 0.3% to 1.7%. Much of the decline in the headline number was due to lower energy prices, though weakness in telecommunication, apparel, and health care prices also contributed to lower inflation. In her testimony to the Senate, Janet Yellen acknowledged the recent weakness in inflation as a concern, but said she still believes price levels will move gradually higher to reach the Fed's target. Further softness in inflation could give the Fed pause when considering additional tightening.

Lower realized inflation, which missed estimates for three consecutive months, helped lead the market to reprice inflation expectations. The 10-year TIPS breakeven inflation rate fell from 2.0% in March to 1.7% in June. Market-based inflation expectations are low compared to history, and participants may simply be naively projecting the current low inflation environment into the future. Late stage cyclical conditions including moderate economic expansion and a tightening labor market could place gradual pressure on inflation.

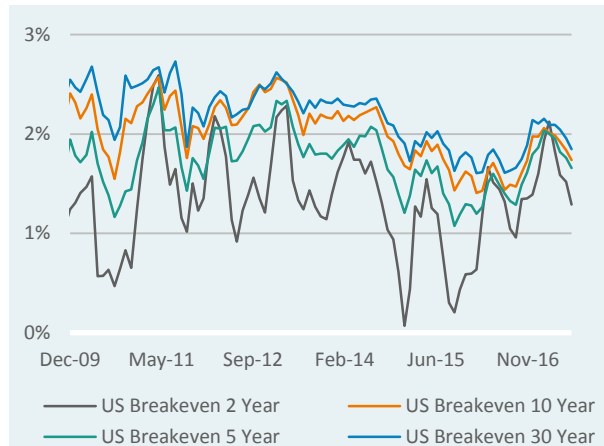
**Inflation decelerated in the second quarter**

**U.S. CPI (YOY)**



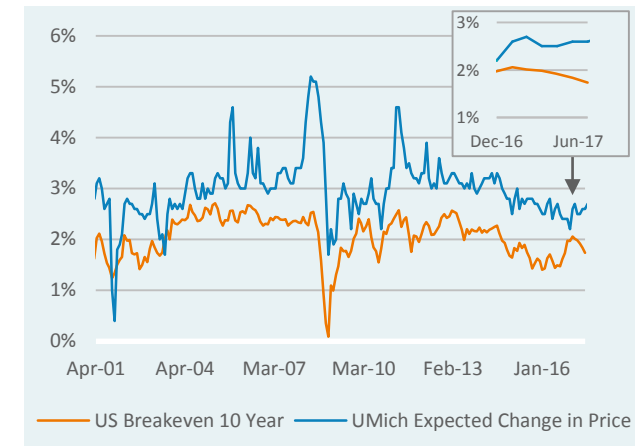
Source: FRED, as of 6/30/17

**U.S. TIPS BREAKEVEN RATES**



Source: FRED, as of 6/30/17

**INFLATION EXPECTATIONS**



Source: Bloomberg, as of 6/30/17

# International economics summary

- Developed and emerging economies have exhibited coordinated positive growth momentum from low absolute growth rates relative to history. A continuation of this trend may be self reinforcing, lifting weak and strong economies alike.
- Economic releases have missed expectations in the U.S. and U.K. after extended upside surprise. The Eurozone has delivered positive surprise, but by a smaller margin.
- Oil further contributed to commodity underperformance due to oversupply, disagreements within OPEC regarding production cuts, and concerns over the magnitude of U.S. production.
- Developed world inflation remained within a normal range, though slightly below levels targeted by central banks.
- In May, Emmanuel Macron defeated Marine Le Pen in the French presidential election, calming fears over populist politics gaining an increased foothold in Europe.
- On June 8th, the U.K. held a snap election in which the Conservative party surprised polls and gave up their majority in Parliament, potentially weakening their position in the upcoming Brexit negotiations.
- On June 27th, ECB President Mario Draghi surprised markets with comments perceived as hawkish compared to previous comments. In the following two days the Euro appreciated 2.3% against the U.S. dollar and developed global rates moved upward - German bunds in particular.

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	2.1% 3/31/17	1.6% 6/30/17	4.4% 6/30/17
Western Europe	1.8% 3/31/17	1.3% 6/30/17	8.1% 3/31/17
Japan	1.3% 3/31/17	0.4% 5/31/17	3.1% 5/31/17
BRICS Nations	5.4% 3/31/17	2.3% 3/31/17	5.6% 12/31/16
Brazil	(0.4%) 3/31/17	3.0% 6/30/17	13.5% 6/30/17
Russia	0.5% 3/31/17	4.4% 6/30/17	5.5% 3/31/17
India	6.1% 3/31/17	2.2% 5/31/17	8.4% 12/31/16
China	6.9% 3/31/17	1.5% 5/31/17	4.0% 12/31/16

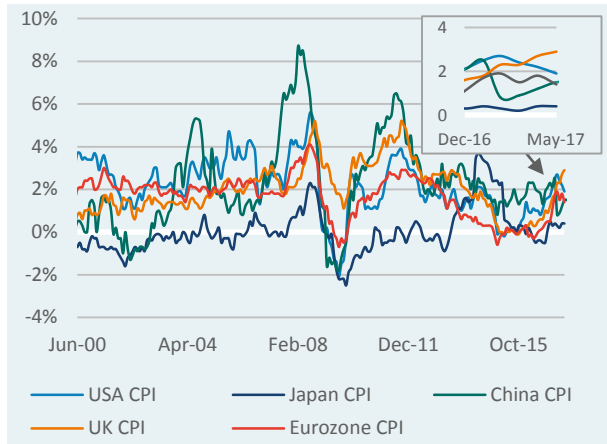
# International economics

Eurozone CPI was 1.3% YoY in June, arguably within the bounds of the European Central Bank mandate “...to maintain inflation rates below, but close to, 2% over the medium term.” Inflation below 2% likely implies a more dovish central bank stance.

Japan CPI remained low at 0.4% YoY in May. Bank of Japan Governor Haruhiko Kuroda explained in June that “...there is still a long way to go until the price stability target of 2 percent is achieved.” The Bank of Japan maintains its aggressive stimulus policy which separates the bank from those of other developed economies.

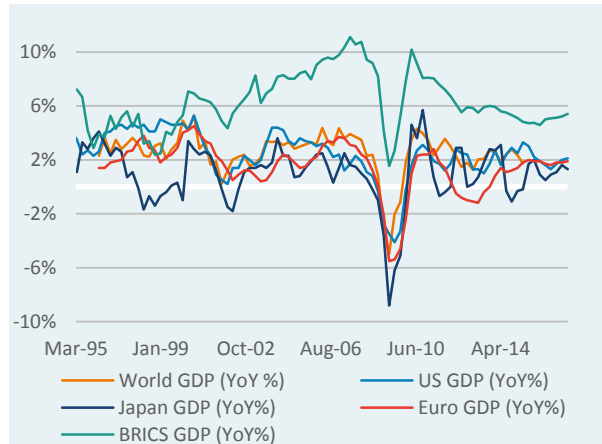
Employment has improved markedly across the globe, recovering to pre-crisis levels in most economies. Europe remains the exception in terms of aggregate employment, with labor markets displaying disparate levels of health from one country to the next. Core countries such as Germany and France have experienced a much greater fall in unemployment than periphery countries such as Spain and Italy.

## INTERNATIONAL INFLATION



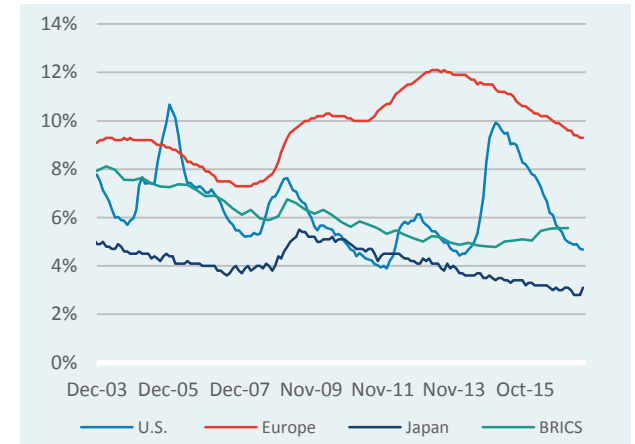
Source: Bloomberg, as of 5/31/17

## REAL GDP GROWTH



Source: Bloomberg, as of 3/31/17

## GLOBAL UNEMPLOYMENT



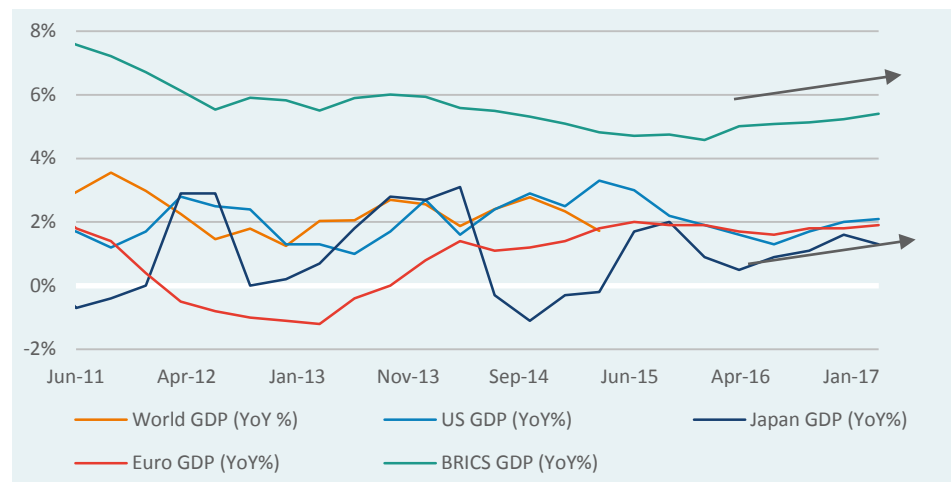
Source: Bloomberg, as of 5/31/17 or most recent release

# Synchronized global growth

Developed and emerging economies have begun to accelerate. A confluence of low inflation, higher employment (but weak wage pressure), improving consumer/business sentiment, and relatively accommodative central bank policy may lead to a unified global expansion. We expect that this trend would deliver outsized gains to open, export-focused economies. Emerging markets may be noteworthy beneficiaries within this environment, as these economies tend to be highly exposed to global growth trends.

The U.S. economy is arguably further along in its economic cycle than other economies; however, it is important to note that American corporations derive a significant portion of sales from overseas. S&P 500 foreign sales make up more than one third of total index revenue. U.S. corporations could participate substantially in global growth despite a more mild domestic expansion scenario.

## REAL GDP GROWTH



Source: Bloomberg, as of 3/31/17

## GLOBAL PMI

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
<strong>Manufacturing</strong>												
Global	51	51	51	52	52	53	53	53	53	53	53	53
Developed	52	51	52	53	53	54	54	54	54	54	54	54
US	52	49	52	52	54	55	56	58	57	55	55	58
Eurozone	52	52	53	54	54	55	55	55	56	57	57	57
Japan	49	50	50	51	51	52	53	53	52	53	53	52
EM	50	50	50	51	51	51	51	51	52	51	51	51
<strong>Services</strong>												
Global	52	52	52	53	53	53	54	53	54	54	54	54
Developed	51	52	52	54	54	54	55	54	54	54	54	55
US	55	52	57	55	56	57	57	58	55	58	57	57
Eurozone	53	53	52	53	54	54	54	56	56	56	56	55
Japan	50	50	48	51	52	52	52	51	53	52	53	53
EM	53	53	52	53	54	54	54	56	56	56	56	55

Source: Bloomberg, as of 6/30/17 – (blue stronger / orange weaker)

# Fixed income rates & credit

# Interest rate environment

- On June 14th, the Federal Reserve raised the federal funds rate by 25 bps to a target range of 1.00% - 1.25%.
- The Fed's own forecast indicates one more rate hike this year, and three more hikes in each of the next two years. Rates are expected to normalize at 3% at the end of 2019. We believe the probability that the Fed undershoots its target is significant, given persistent low inflation and a high degree of risk if policy is tightened too quickly.
- The Fed announced plans to begin reducing their balance sheet sometime this year. The initial plan is to runoff \$6 billion of Treasuries and \$4 billion of mortgage-backed securities per month. This will be scaled up commensurately every 3 months to \$50 billion per month.
- Markets expect the ECB to reduce monetary easing gradually throughout 2018, with a tapering plan announcement this fall.
- In May, the Bank of Japan raised its economic forecasts. The central bank implemented a "yield curve control" policy at its September meeting along with a mandate to keep the 10-year yield at 0%. The BoJ plans to maintain an easy stance until inflation hits its 2% target.
- Credit spreads remain broadly tight. Spread levels have historically been a strong predictor of credit performance relative to Treasuries, which at current levels implies muted future performance.
- We favor emerging market debt due to higher yields relative to other bond markets.

Area	Short Term (3M)	10 Year
United States	1.01%	2.30%
Germany	(0.82%)	0.47%
France	(0.60%)	0.82%
Spain	(0.44%)	1.54%
Italy	(0.38%)	2.16%
Greece	2.43%	5.42%
U.K.	0.17%	1.26%
Japan	(0.10%)	0.09%
Australia	1.63%	2.73%
China	2.63%	3.57%
Brazil	9.41%	10.54%
Russia	8.16%	7.90%

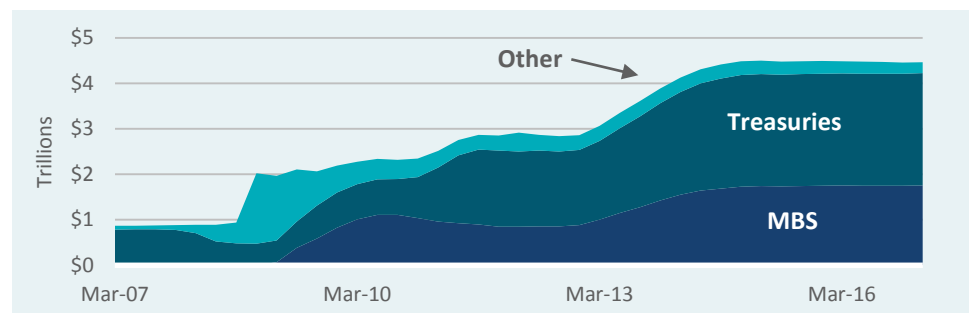
Source: Bloomberg, as of 6/30/17



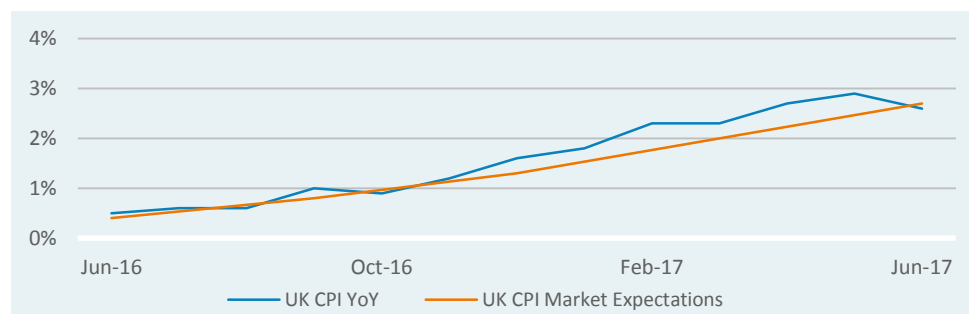
# Central bank confidence

- The U.S. Federal Reserve announced plans to begin reducing its balance sheet, which is expected to begin later this year. The initial plan is to runoff \$6 billion of Treasuries and \$4 billion of mortgage-backed securities per month. This will be scaled up commensurately every three months to a total of \$50 billion per month. Considering the Fed balance sheet has grown to \$4.5 trillion in size, it would take nearly seven years of uninterrupted runoff to fully unwind the balance sheet to the pre-crisis level. Central banks are likely aiming to build up more dry powder in order to address future economic downturns.
- Markets expect the ECB to announce a gradual tapering plan to its asset purchase program in the fall that will most likely begin sometime in 2018. More policy timing clues are anticipated from the ECB at the September 7<sup>th</sup> meeting.
- In the U.K., the argument for a rate hike is building after higher than expected inflation in May. This has likely contributed to recent British Pound appreciation. Mark Carney seems more receptive to rate hikes but has stated that business investment would need to grow to offset weaker consumer spending in order for him to push for a hike.
- The Bank of Japan announced that it would buy unlimited quantities of government bonds to keep yields from rising too far – recently this seems to be defined as 0.1% yield on the 10-year government bond. The bank plans to stick to policy until inflation hits the 2% target.

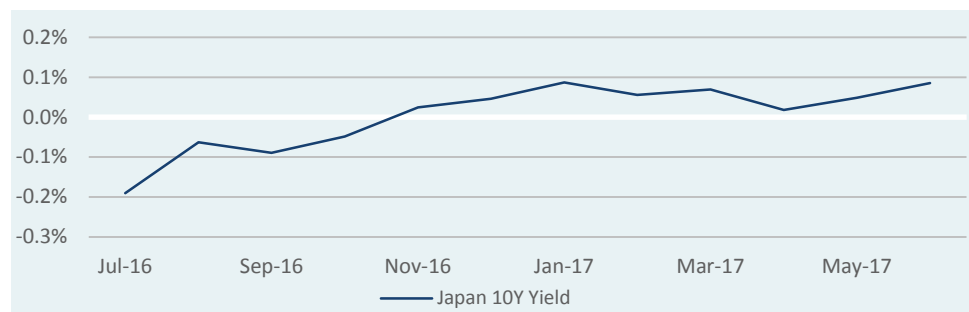
**FEDERAL RESERVE BALANCE SHEET**



**U.K. CPI YOY VS MARKET EXPECTATIONS**

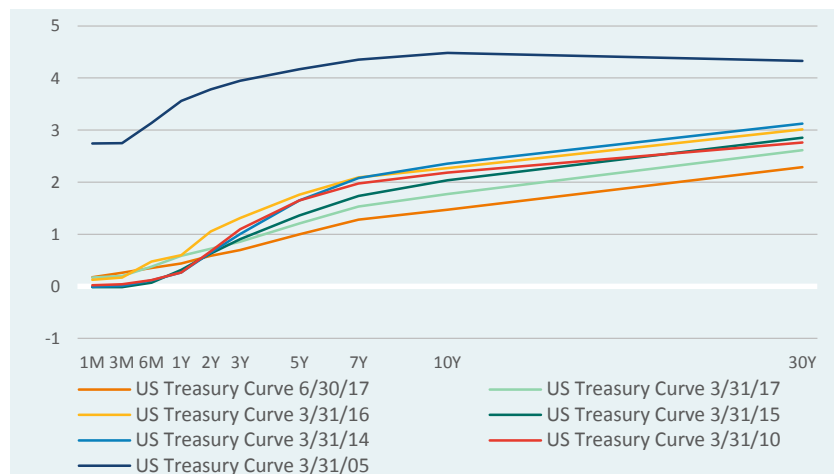


**JAPAN 10Y YIELD**

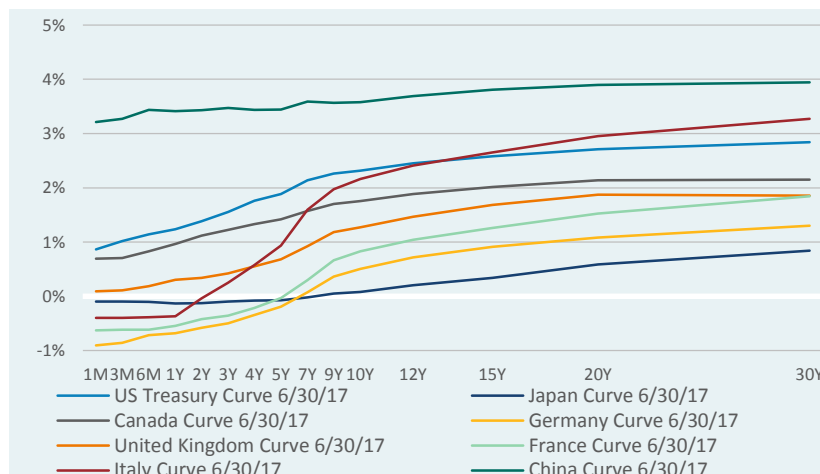


# Yield environment

U.S. YIELD CURVE

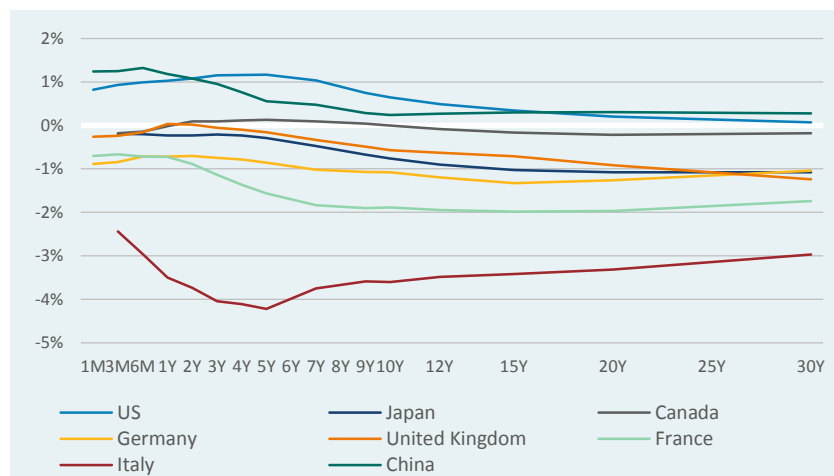


GLOBAL GOVERNMENT YIELD CURVES

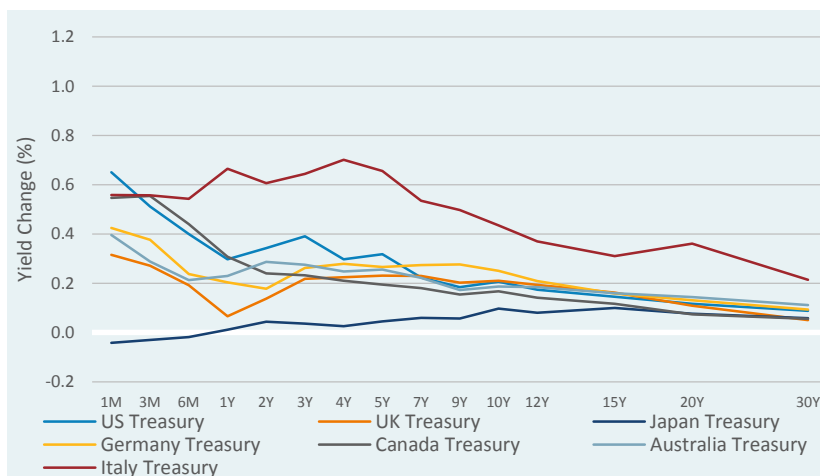


Across developed markets, U.S. Treasuries offer higher yields

YIELD CURVE CHANGES OVER LAST FIVE YEARS



IMPLIED CHANGES OVER NEXT YEAR



Source: Bloomberg, as of 6/30/17

# Credit environment

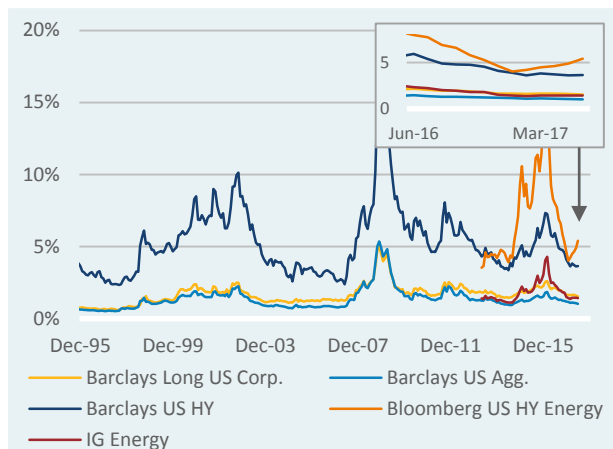
U.S. high yield option-adjusted spreads compressed in the second quarter to 3.6%, and the asset class generated a 2.2% total return (BBgBarc U.S. Corp. High Yield Index). High yield spreads are tighter than those of bank loans on a duration neutral basis.

The U.S. labor market remained strong, which helped the Fed to justify a rate increase of 0.25% in June. Investors continued to favor credit. A combination of tighter credit spreads and additional carry (greater yield) over Treasuries led credit to broadly outperform Treasuries in Q2. Spreads are near historic lows, though these levels

have been witnessed in later stages of previous credit cycles. Credit spreads have historically been a good indicator of future performance relative to Treasuries.

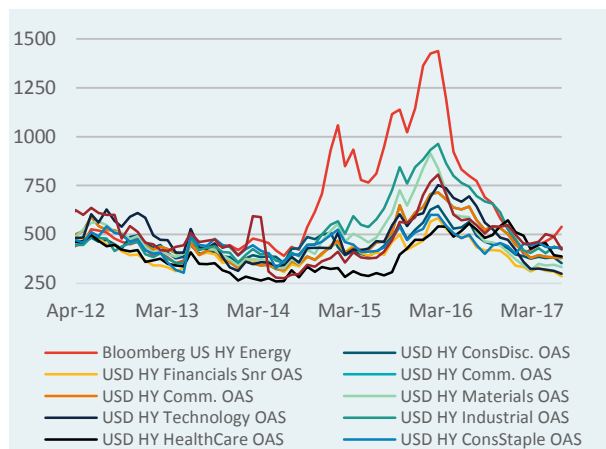
High yield energy spreads widened over the quarter to 5.4% - a very moderate rise relative to what was witnessed following the 2014 commodity drawdown. This lesser magnitude can be partly attributed to better credit ratings of companies in the index today. Additionally, innovation and technological gains have helped lower costs, which allows businesses to stay profitable at lower price levels.

## CREDIT SPREADS



Source: Barclays Capital Indices, Bloomberg, as of 6/30/17

## HIGH YIELD SECTOR SPREADS



Source: Bloomberg, as of 6/30/17

## SPREADS

Market	Credit Spread (6/30/17)	Credit Spread (1 Year Ago)
Long US Corporate	1.6%	2.2%
US Aggregate	1.1%	1.6%
US High Yield	3.6%	5.9%
US High Yield Energy	5.4%	8.0%
US Bank Loans	3.7%	3.9%

Source: Barclays, Credit Suisse, Bloomberg, as of 6/30/17

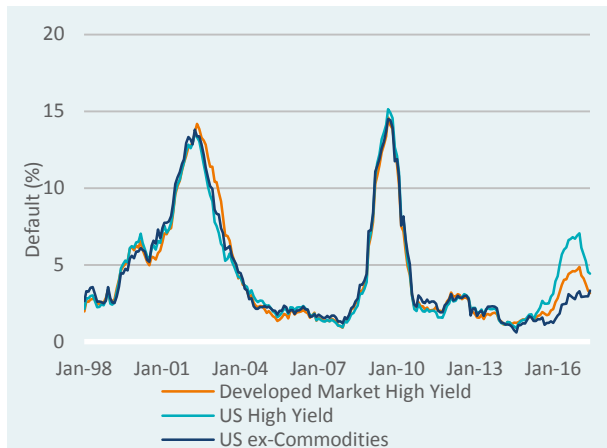
# Issuance and default

Both U.S. senior loan and high yield markets are stabilizing with the majority of par defaults last year coming from energy and metals/mining sectors. Rolling default rates should fall as commodity prices recover and commodity price-induced credit problems have a lesser impact on the credit universe. Active management may offer value to investors in the high yield space.

Global high yield and bank loan issuance has grown at a faster pace than what was seen last year. Lower spread levels have resulted in more attractive borrowing costs for these issuers. The direction of interest rates will likely impact future debt issuance levels.

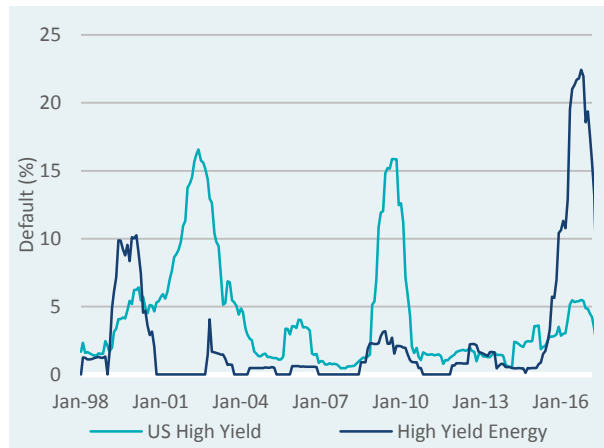
The effects of commodity related defaults are subsiding

HY DEFAULT TRENDS (ROLLING 1 YEAR)



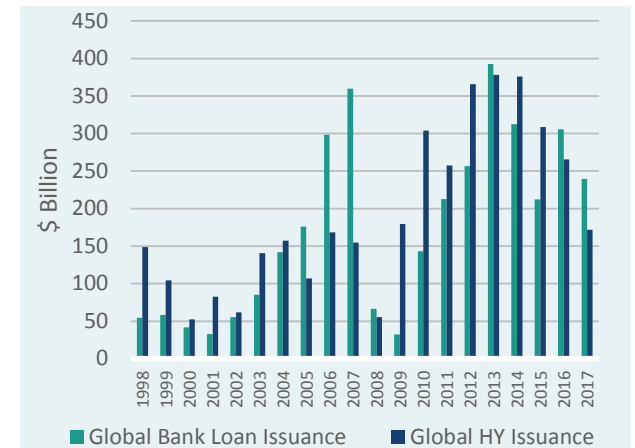
Source: BofA Merrill Lynch, as of 6/30/17

ENERGY DEFAULT TRENDS



Source: BofA Merrill Lynch, as of 6/30/17

GLOBAL ISSUANCE



Source: Bloomberg, BofA Merrill Lynch, as of 6/30/17

# Equity

# Equity environment

- We maintain a moderate overweight to equities with a preference for emerging markets due to attractive valuations and better growth prospects relative to developed markets.
- Global equity markets delivered another positive quarter, driven by strong earnings growth across regions. Earnings were strongest in Western Europe and emerging markets. These regions outperformed on a relative basis during the quarter.
- According to FactSet, the estimated Q2 earnings growth rate of the S&P 500 is 6.8% YoY. Energy companies are expected to contribute the most to overall growth due to stabilizing oil prices and a low earnings base one year ago.
- Increased uncertainty surrounding the Brexit negotiations following the Conservative party's surprise loss of a majority in Parliament likely helped lead to underperformance in U.K. equities. The FTSE 100 Index returned -4.9% in Q2.
- MSCI approved the inclusion of 222 mainland Chinese companies (China A Shares) into the MSCI Emerging Markets Index. This represents only a small portion of the overall market. Starting in 2018, these domestic shares will represent approximately 0.7% of the index. While initially this decision will have a minimal effect on index performance, it opens the door for additional China A shares to be added. If the entire market was included, it would represent 12.8% of the MSCI index.

	QTD TOTAL RETURN		YTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)	(unhedged)	(hedged)
US Large Cap (Russell 1000)	3.1%		9.3%		18.0%	
US Small Cap (Russell 2000)	2.5%		5.0%		24.6%	
US Large Value (Russell 1000 Value)	1.3%		4.7%		4.7%	
US Large Growth (Russell 1000 Growth)	4.7%		14.0%		20.4%	
International Large (MSCI EAFE)	6.1%	3.1%	13.8%	16.1%	20.3%	23.5%
Eurozone (Euro Stoxx 50)	6.5%	3.8%	19.1%	22.5%	26.6%	28.3%
U.K. (FTSE 100)	4.9%	1.2%	10.0%	5.0%	13.6%	17.5%
Japan (NIKKEI 225)	5.1%	6.5%	9.6%	6.6%	19.9%	32.0%
Emerging Markets (MSCI Emerging Markets)	6.3%	6.1%	18.4%	11.6%	23.8%	19.3%

Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 6/30/17

# Domestic equity

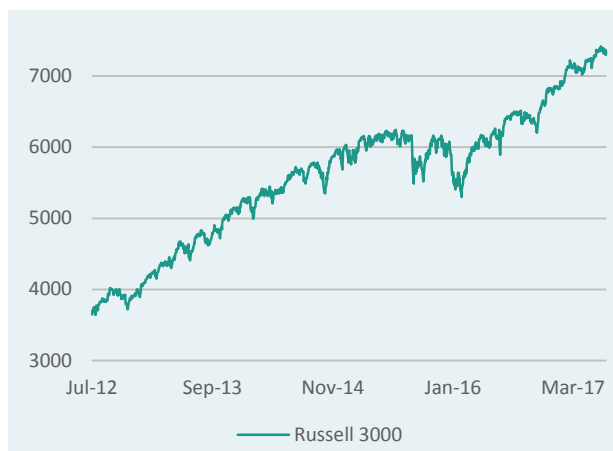
U.S. equities moved higher on robust earnings growth. According to FactSet, the estimated Q2 earnings growth rate of the S&P 500 is 6.8% YoY. Energy companies are expected to contribute the most to overall growth due to a low earnings base one year ago and stabilizing oil prices. The earnings outlook for the rest of the year is strong, and the expected growth rate for the 2017 calendar year is 9.8%. Positive global growth trends could help lift earnings further since a substantial portion of U.S. corporate revenues come from abroad.

All major U.S. banks passed the Fed's stress test in June, citing strong capital levels and ability to lend during a recession. The news drove financials upward as the positive results allowed banks to increase their future dividends and buybacks.

As discussed in recent quarters, we are relatively bullish on U.S. earnings growth in the near term, but investors may be paying for this excess growth upfront through higher valuations. We maintain a neutral weight to U.S. equities.

We maintain  
a neutral  
weight to  
U.S. equities

## U.S. EQUITIES



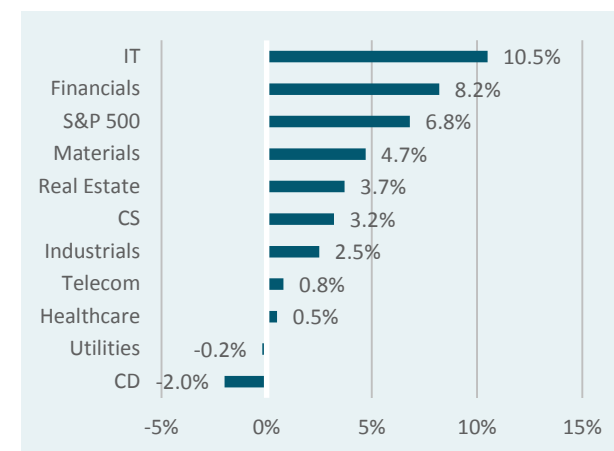
Source: Russell Investments, as of 7/7/17

## S&P 500 EPS GROWTH



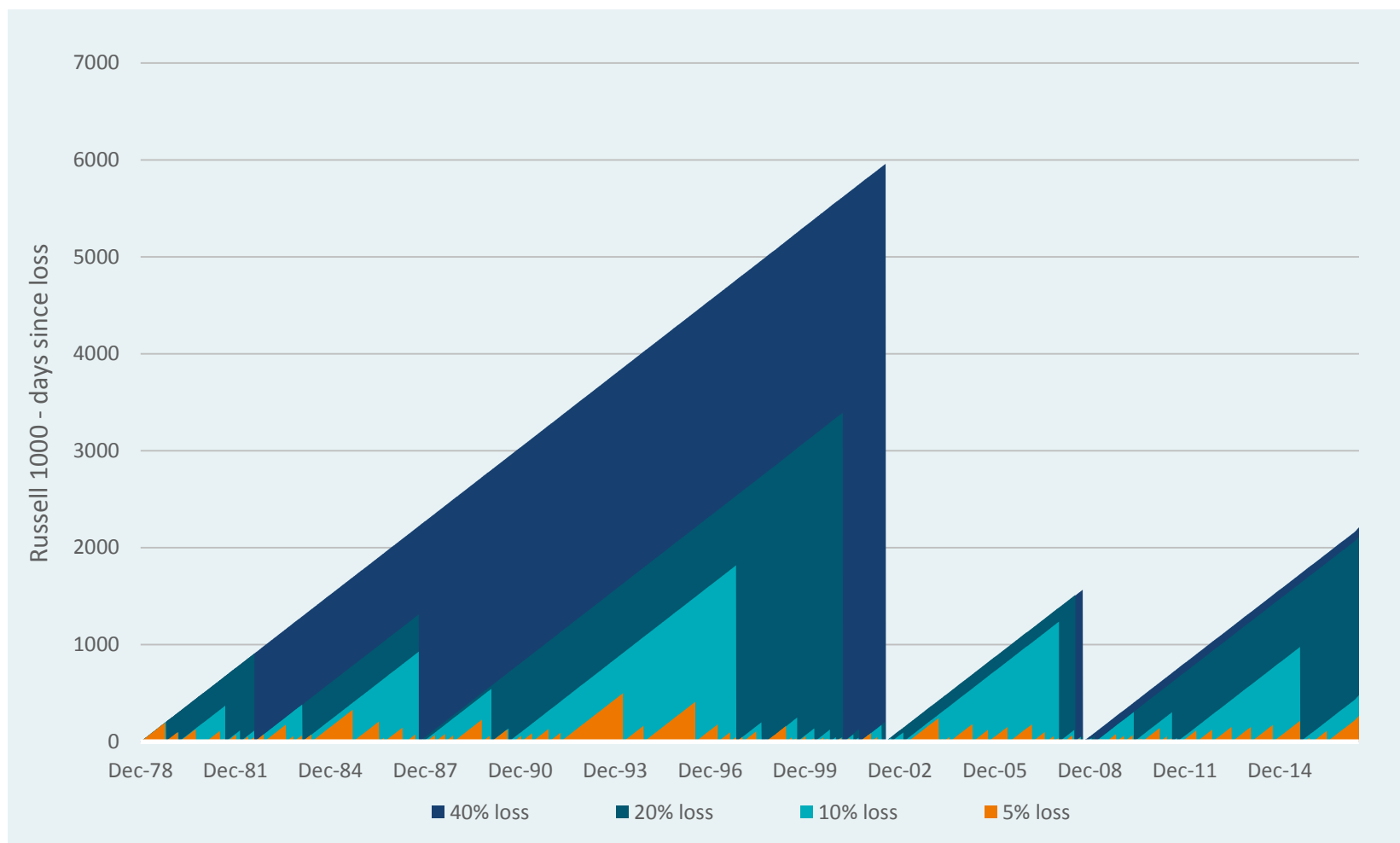
Source: Bloomberg, as of 6/30/17

## Q2 FORECAST EPS GROWTH



Source: FactSet, as of 7/14/17 - excludes energy sector

# Expect surprises



Market surprises are normal and in most cases should not affect long-term portfolio planning

Source: Bloomberg



# Domestic equity size and style

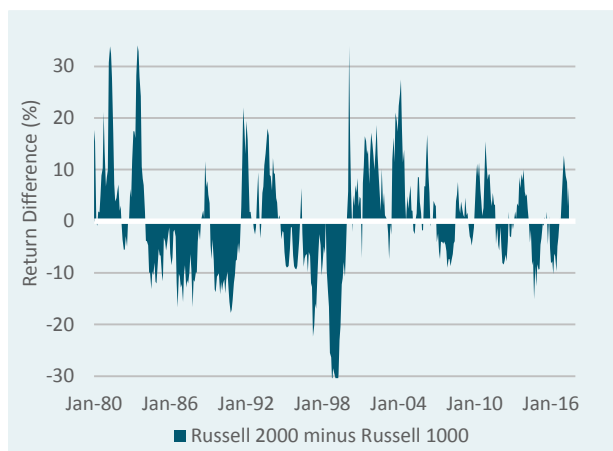
Despite a short selloff in June, strong returns from the tech sector helped lead to positive relative performance of growth over value during the quarter. Much of the gains were concentrated in the well known mega-cap stocks, including Apple, Amazon, and Microsoft. Momentum in growth stocks has continued to perform well so far this year.

In the second quarter, the Russell 1000 Growth Index and the Russell 1000 Value Index returned 4.7% and 1.3%, respectively. Falling oil prices were a headwind to energy

companies, which were the largest detractor from the value index.

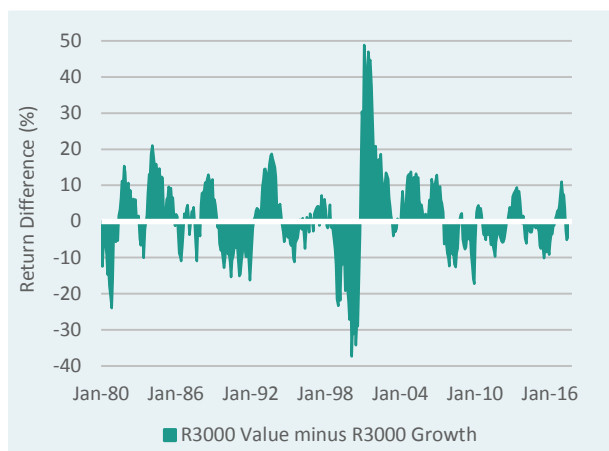
Large cap equities narrowly outperformed small cap equities. Much of the optimism surrounding Trump's pro-small business policies after his victory, including deregulation and tax reform, appears to have faded so far this year. If progress on these measures is made, smaller companies could receive another boost in the second half of 2017.

**SMALL CAP VS LARGE CAP (YOY)**



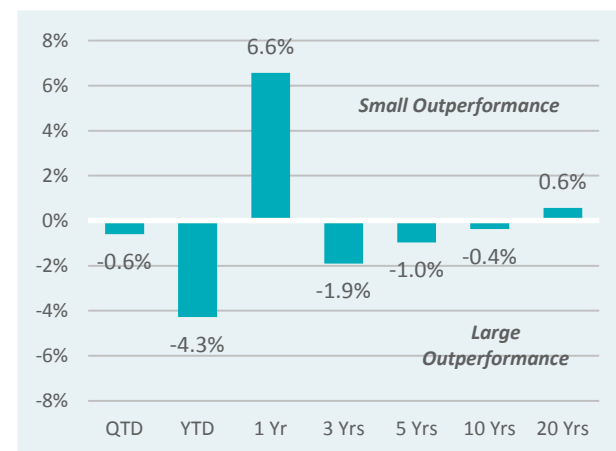
Source: Russell Investments, as of 6/30/17

**VALUE VS GROWTH (YOY)**



Source: Russell Investments, as of 6/30/17

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



Source: Morningstar, as of 6/30/17

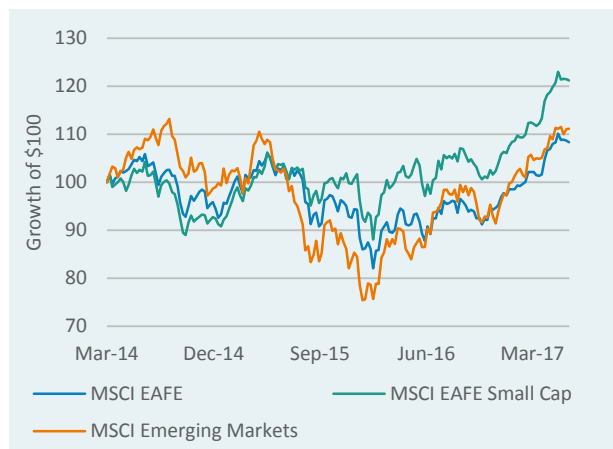
# International equity

International equities outperformed domestic equities over the quarter. The MSCI ACWI ex U.S. returned 5.8% on an unhedged basis while the S&P 500 returned 3.1%.

The U.S. dollar has steadily depreciated in value year-to-date against major currencies, down around 7%. This currency movement has added volatility to investors with unhedged currency exposure, with the MSCI EAFE Index returning 13.8% unhedged vs. 16.1% hedged, and the MSCI Emerging Markets Index returning 18.4% unhedged vs. 11.6% hedged.

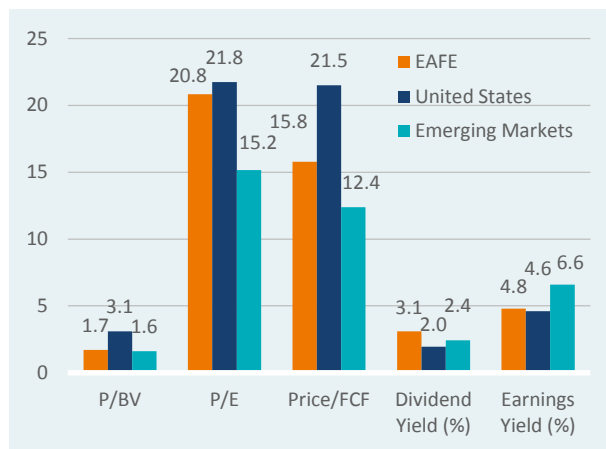
International equities are trading at lower multiples than domestic equities, based on various metrics. Valuations and earnings growth both play an important role in equity return outcomes and risk. Higher equity valuations imply greater optimism surrounding growth expectations, and greater optimism presents investors with more downside risk as the possibility of disappointment rises. Because of lower valuation levels, international markets may possess greater upside potential through either valuation expansion or positive earnings growth surprise. However, due to apparent tail risks in these markets we maintain a neutral weight in portfolios.

## GLOBAL EQUITY PERFORMANCE



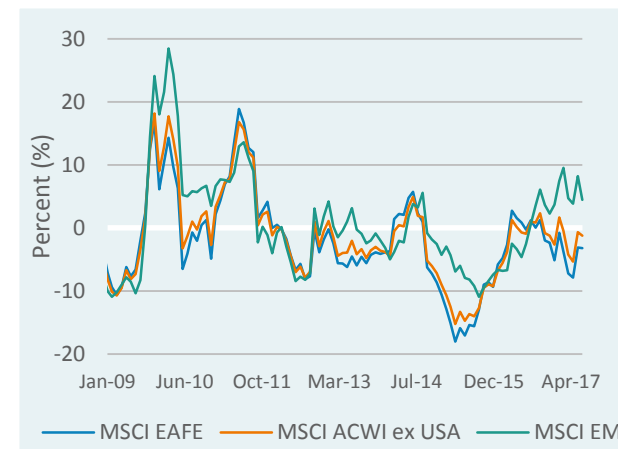
Source: Bloomberg, as of 6/30/17

## VALUATIONS



Source: Bloomberg, MSCI, as of 6/30/17 - 3 month average

## EFFECT OF CURRENCY (1 YEAR ROLLING)



Source: MSCI, as of 6/30/17

# Emerging market equity

We maintain an overweight to emerging markets due to attractive valuations and better growth prospects relative to developed markets.

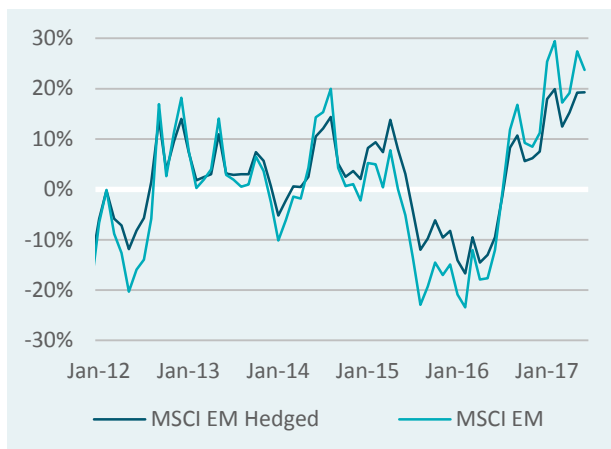
Emerging market equities continue to outperform developed markets, delivering 4.8% in Q2 and 17.1% year-to-date. Currency movement has been additive. Emerging market equity earnings are now expected to grow 22% YoY in 2017, which is a material increase from the 13% YoY increase expected at the beginning of 2017.

Interestingly, valuations have come down slightly despite very strong equity returns, as earnings rise faster than price.

If economic growth turns upward across the globe, we would expect major exporting economies to experience a significant tailwind. Emerging markets in particular tend to provide high exposure to global growth. Stabilizing commodities in this type of environment would likely provide an additional tailwind.

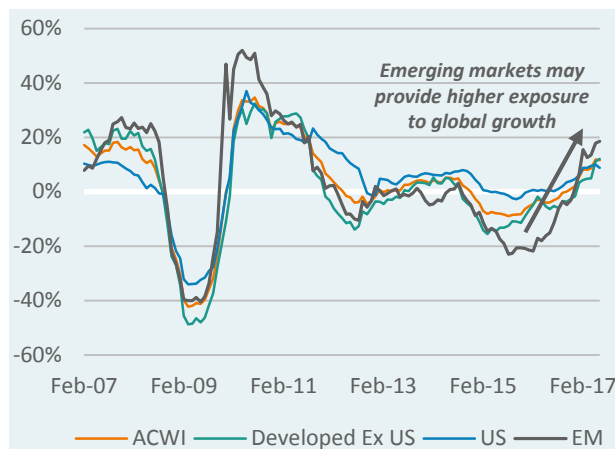
Accelerating global growth should have a positive effect on EM economies

12-MONTH ROLLING PERFORMANCE



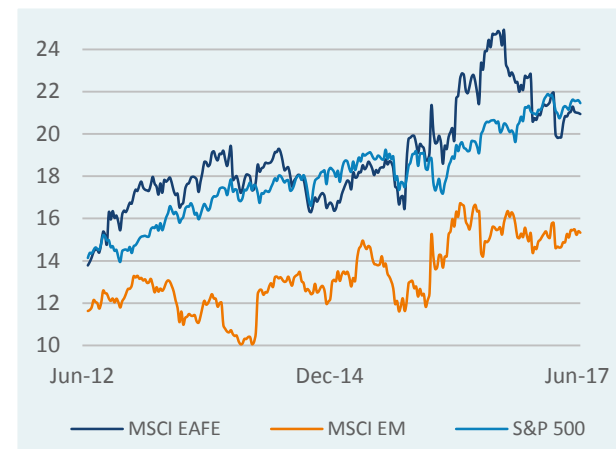
Source: MPI, as of 6/30/17

EM EARNINGS GROWTH (YOY)



Source: Bloomberg, as of 6/30/17

TRAILING P/E RATIOS



Source: Bloomberg as of 6/30/17

# Equity valuations

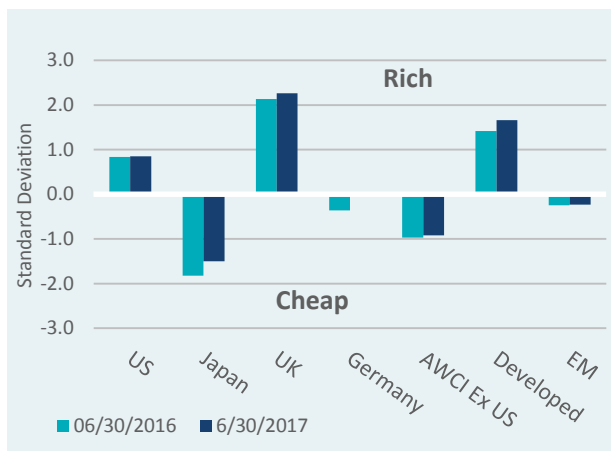
Strong global earnings in the first quarter and an increase in expected earnings growth throughout the rest of the year led to lower valuation multiples, especially in international developed markets. A pick up in earnings growth could help normalize P/E ratios.

Despite the recent strong earnings growth, valuation measures remain elevated relative to history. The trailing P/E for the S&P 500 was 21.5 at the end of June, above the 30-year average of 19.2. Higher P/E ratios imply lower future returns, but valuations can stay elevated for long periods of time, and changes are unpredictable.

Looking at the historical differences between regional P/E ratios and the global P/E ratio (ACWI) shows that Japan and emerging markets are the cheapest, while the U.K. and U.S. are the richest. Emerging markets are attractive on a variety of valuation measures. Strong global economic and earnings growth could give these cheaper markets more upside potential than richer markets such as the U.S.

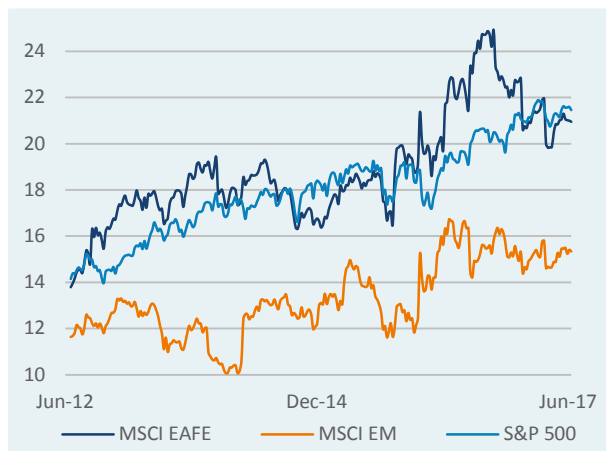
**Valuations are elevated, but relative opportunities exist**

RELATIVE PE TO ACWI



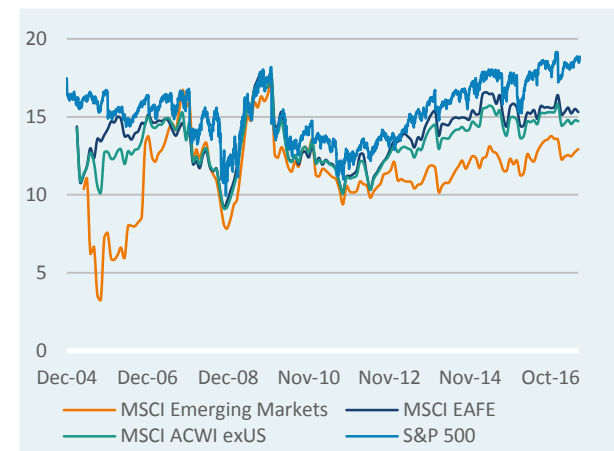
Source: Bloomberg, as of 6/30/17

TRAILING P/E RATIOS



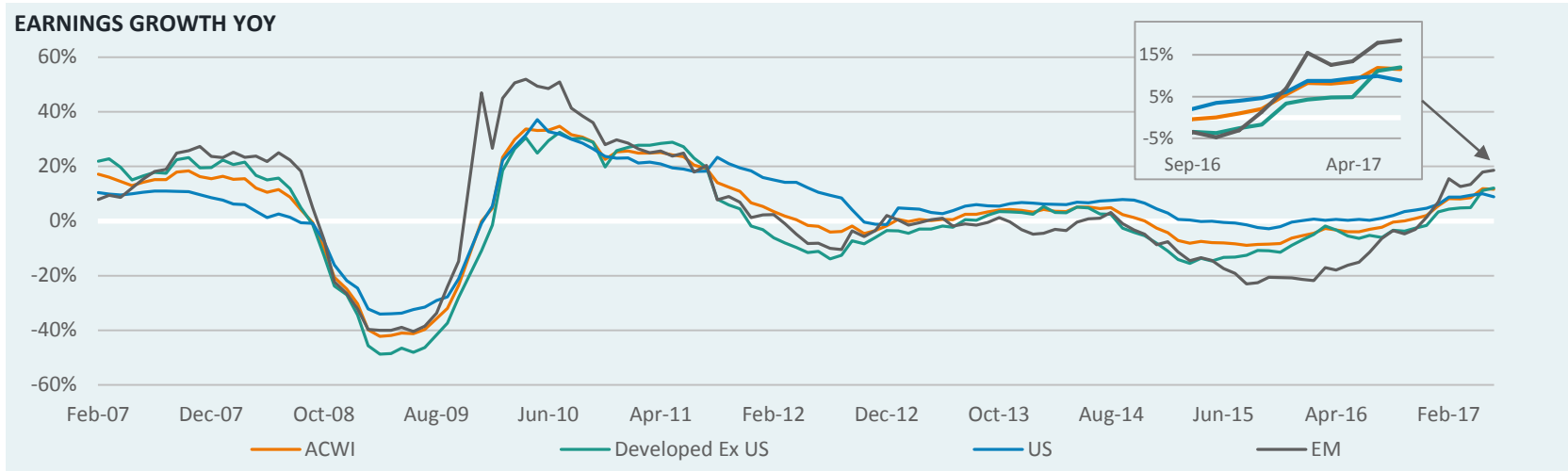
Source: Bloomberg, as of 6/30/17

INTERNATIONAL FORWARD P/E RATIOS

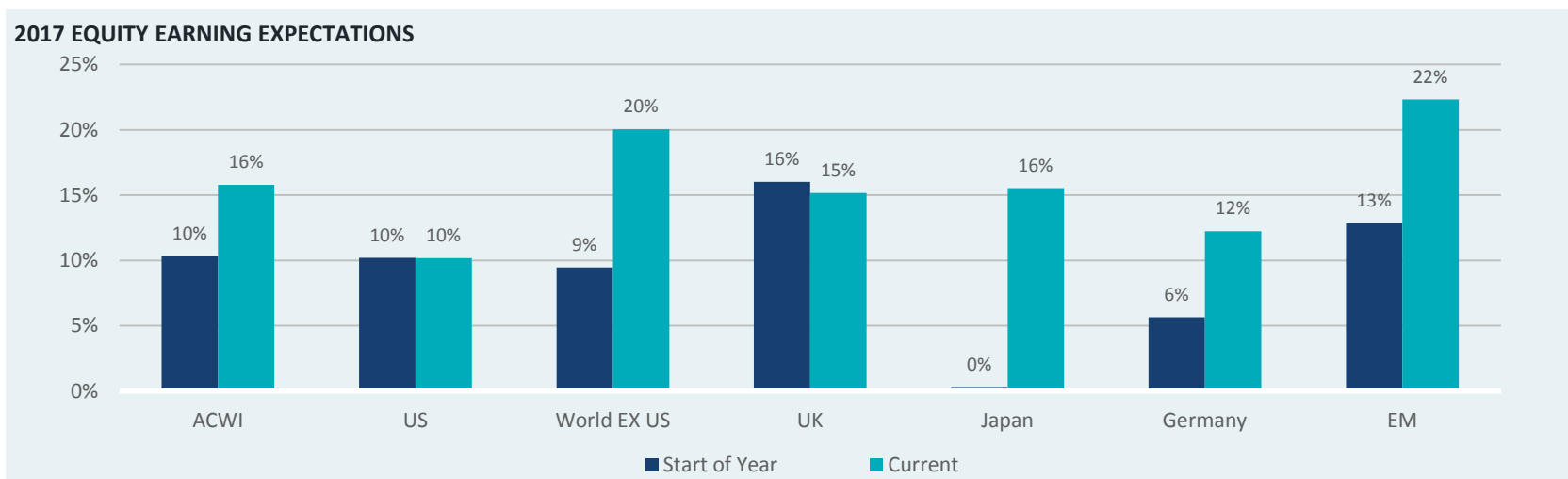


Source: Bloomberg, as of 6/30/17

# Global earnings growth



Earnings & earnings expectations have risen considerably across global markets



Source: MSCI, as of 6/30/17

# Equity volatility

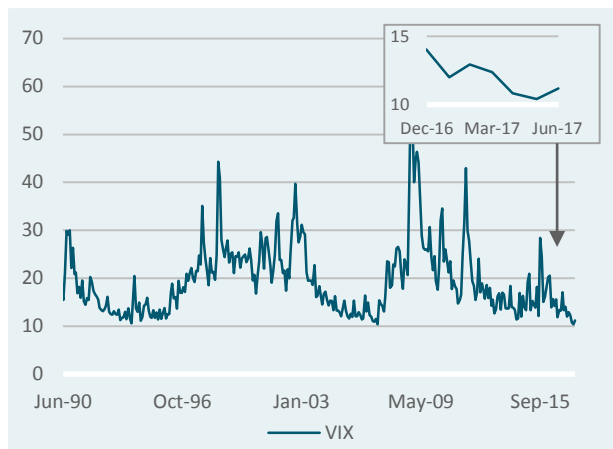
Both realized and implied volatility remains low relative to history across global equity markets. Although there have been a few spikes in implied volatility, including immediately after the first round of the French presidential election and the British general election, these have been short lived. For example, during the recent sell off in U.S. tech companies, the VIX jumped to 15, but fell back down within hours. While low equity market risk has been persistent, volatility can return quickly in an often unpredictable manner. For this reason,

judging portfolio volatility based on the current environment may understate the actual risks.

The CBOE Skew Index, which looks at the steepness of the volatility curve is above its historical average, indicates investors are paying a premium for large downside protection.

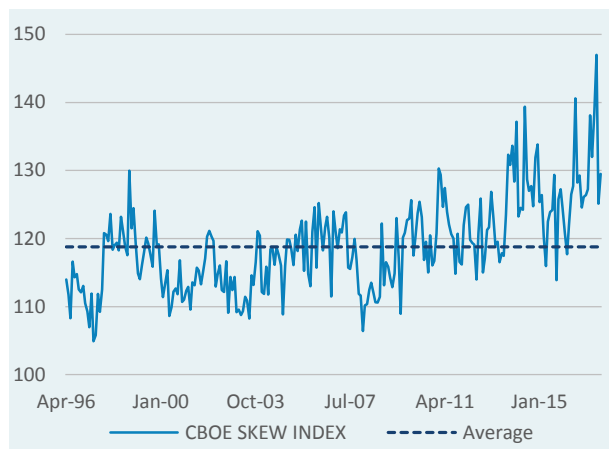
Equity volatility is well below average, but within a range consistent with past bull markets

**U.S. IMPLIED VOLATILITY**



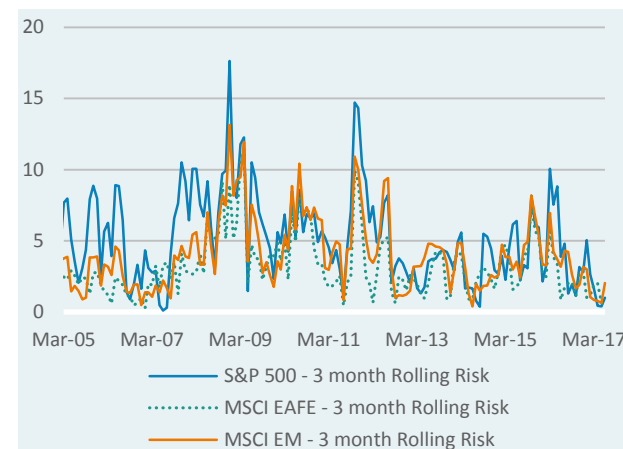
Source: CBOE, as of 6/30/17

**U.S. VOLATILITY SKEW**



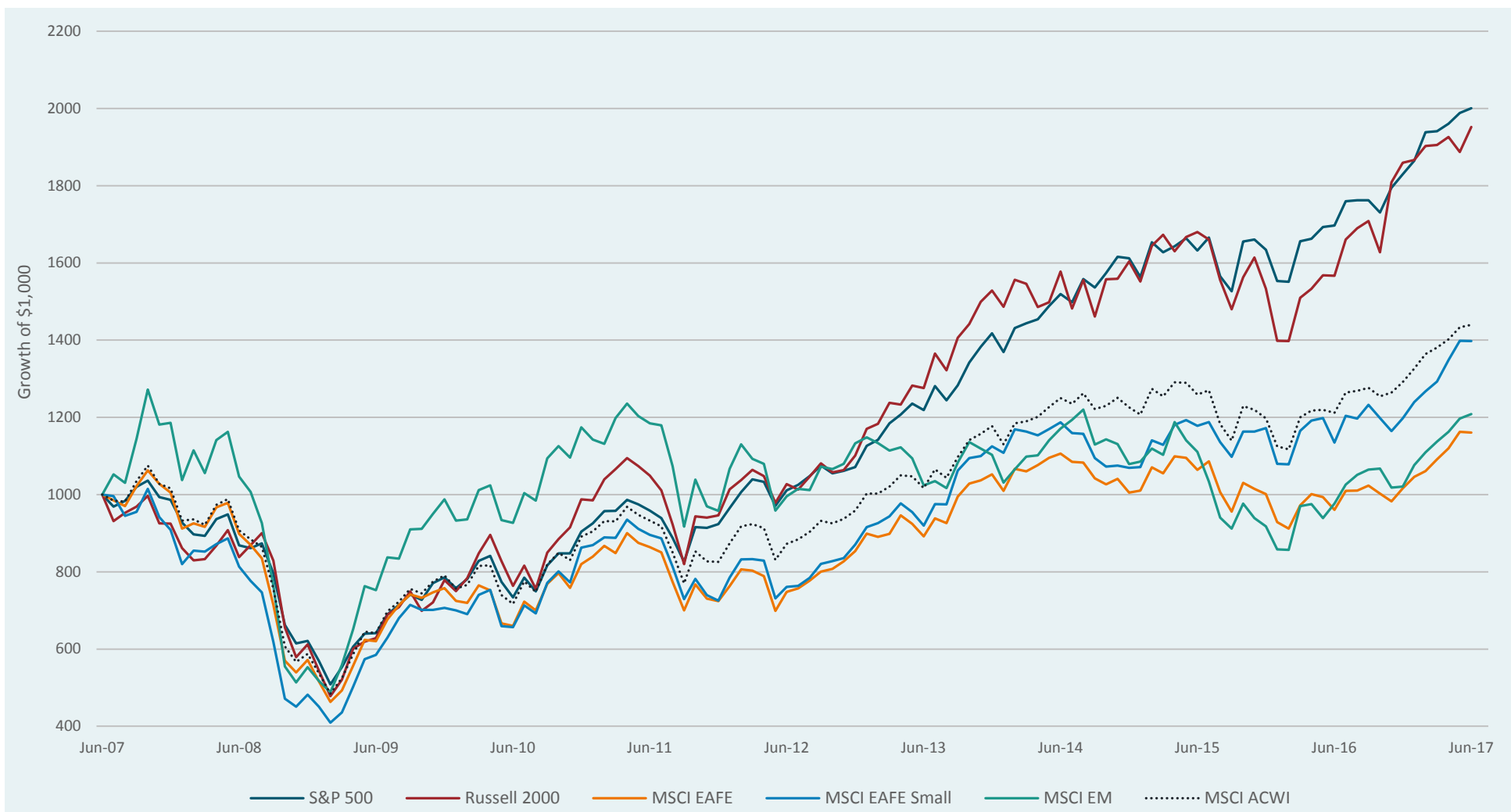
Source: CBOE, as of 6/30/17

**INTERNATIONAL EQUITY VOLATILITY**



Source: MSCI, as of 6/30/17

# Long-term equity performance



Source: MPI, as of 6/30/17

# Other assets



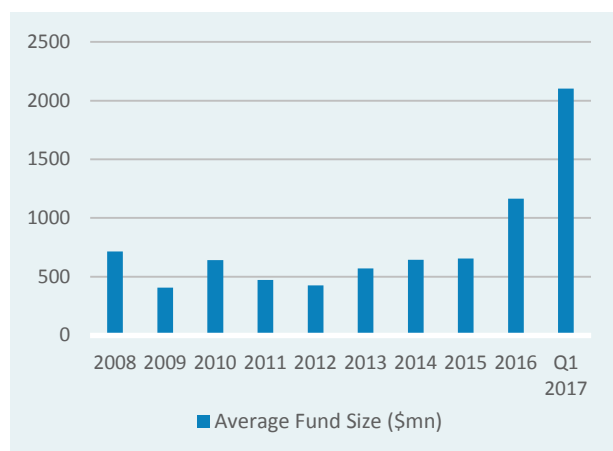
# Infrastructure

Global infrastructure performed strongly in the second quarter, with S&P Global Infrastructure Index up 14.4% for the year through June. Transaction multiples in several infrastructure sectors seemed to have peaked over the last year, impacted by rising interest; however, falling Treasury yields during the quarter sent yield-oriented investments higher in value.

Demand remains quite strong for infrastructure assets with institutional investors allocating to commingled funds and an influx of Asian buyers seeking higher yielding investments both in the U.S. and Europe.

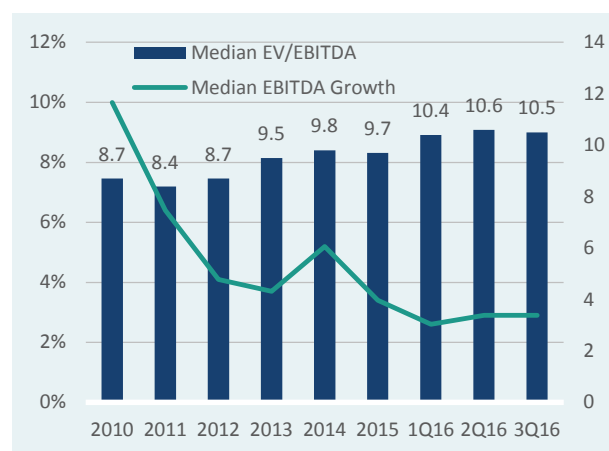
We are favorable towards value-add relative to core infrastructure as the risk/reward appears more attractive today. Interest rate sensitivity is generally lower in value-add infrastructure and pricing levels, though elevated, are below comparable core valuations. Within value-add we focus on sector specialists or teams with a track record of successful project development. As an example, in the utility/energy sectors there could be some interesting opportunities in merchant power generation where low natural gas prices and an influx of renewables have put downward pressure on spot power prices.

## INFRASTRUCTURE AVERAGE FUND SIZE



Source: Preqin

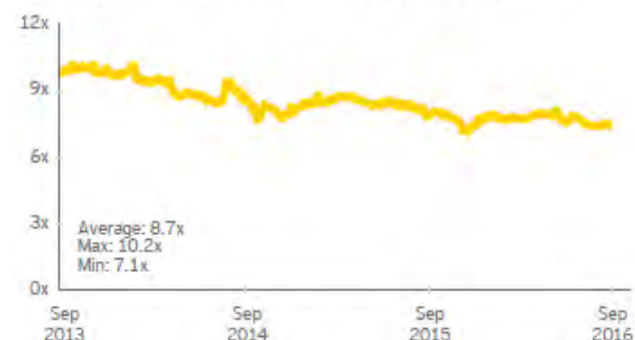
## LISTED INFRASTRUCTURE VALUATIONS/GROWTH



Source: Capital IQ

## VALUATIONS IN MERCHANT POWER

Average enterprise value/earnings before interest, taxes, depreciation and amortization (EV/EBITDA) trading multiples for select IPPs (on FY2 consensus EBITDA estimates, 2013-Q3 2016)



Source: E&Y

# Currency

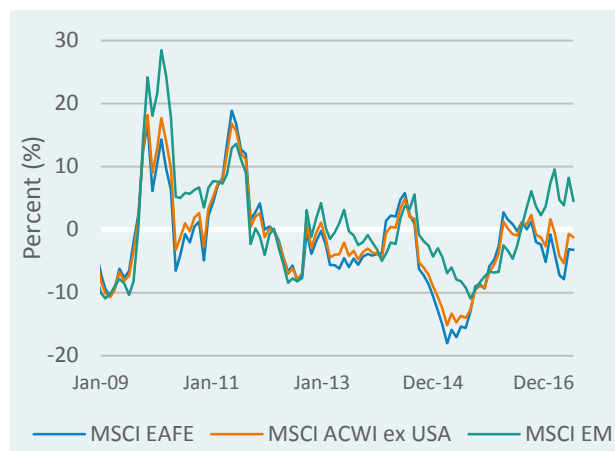
The U.S. dollar has steadily depreciated in value year-to-date against major currencies, down approximately 7% through quarter-end. Global central bank hawkishness, relative interest rate expectations, and improving international growth have likely guided the U.S. dollar lower.

Emerging market currencies exhibited further strength in Q2 and have appreciated 4.8% year-to-date according to

the JP Morgan Emerging Market Currency Index.

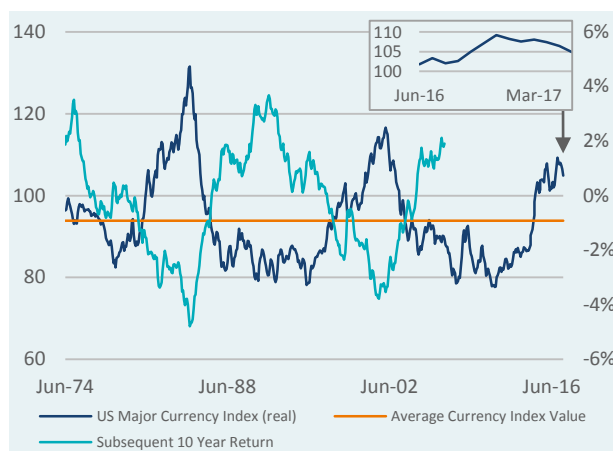
Currency movement has recently had a positive impact on the performance of unhedged foreign asset exposure. Dollar weakness has also acted as a tailwind for corporate earnings for those U.S. companies with revenues in foreign currency.

**EFFECT OF CURRENCY (1YR ROLLING)**



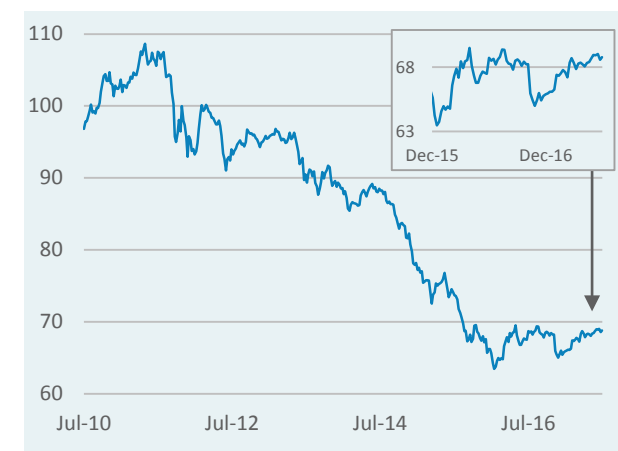
Source: MPI, as of 6/30/17

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



Source: Federal Reserve, as of 6/30/17

**JPM EM CURRENCY INDEX**



Source: Bloomberg, as of 6/30/17

# Appendix

# Periodic table of returns

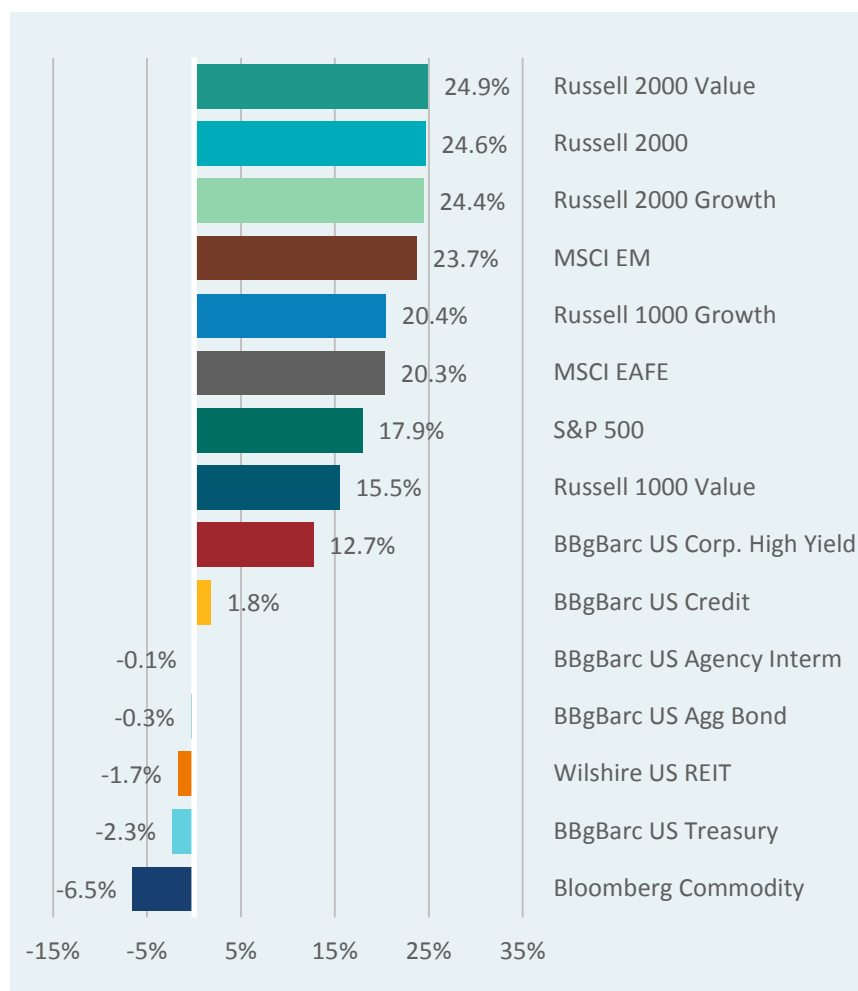
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	5-Year	10-Year
Emerging Markets Equity	16.6	38.4	23.2	35.2	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	18.4	15.3	8.9
Large Cap Growth	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	14.0	14.7	7.8
International Equity	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	13.8	14.0	7.3
Small Cap Growth	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	10.0	13.9	6.9
Large Cap Equity	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	9.3	13.7	6.7
60/40 Global Portfolio	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	8.6	13.4	5.9
Small Cap Equity	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	5.0	10.7	5.6
Large Cap Value	-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	8.0	4.7	8.7	4.5
Hedge Funds of Funds	-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	7.1	3.7	6.7	4.0
US Bonds	-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	2.3	4.9	3.0
Real Estate	-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	1.6	4.0	1.9
Small Cap Value	-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	0.5	2.2	1.0
Cash	-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	0.4	0.2	0.4
Commodities	-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	-5.3	-9.2	-6.5

Large Cap Equity	Small Cap Growth	Commodities
Large Cap Value	International Equity	Real Estate
Large Cap Growth	Emerging Markets Equity	Hedge Funds of Funds
Small Cap Equity	US Bonds	60% MSCI ACWI/40% BBgBarc Global Bond
Small Cap Value	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 3/31/17.

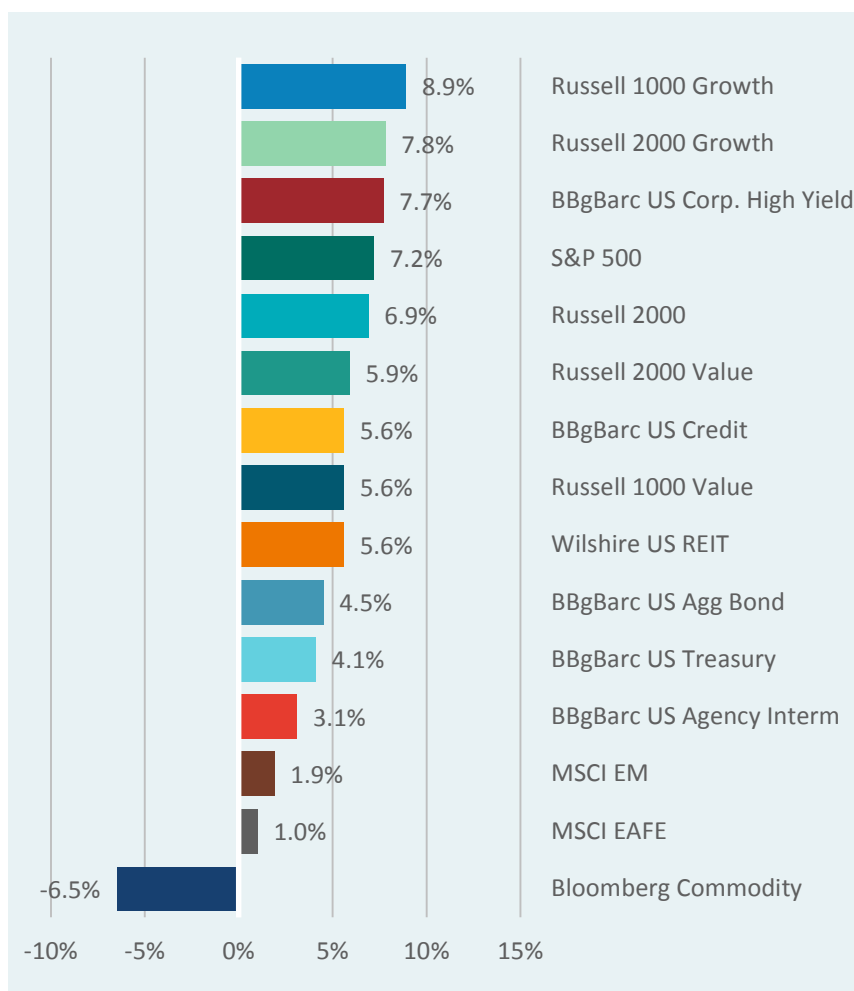
# Major asset class returns

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/17

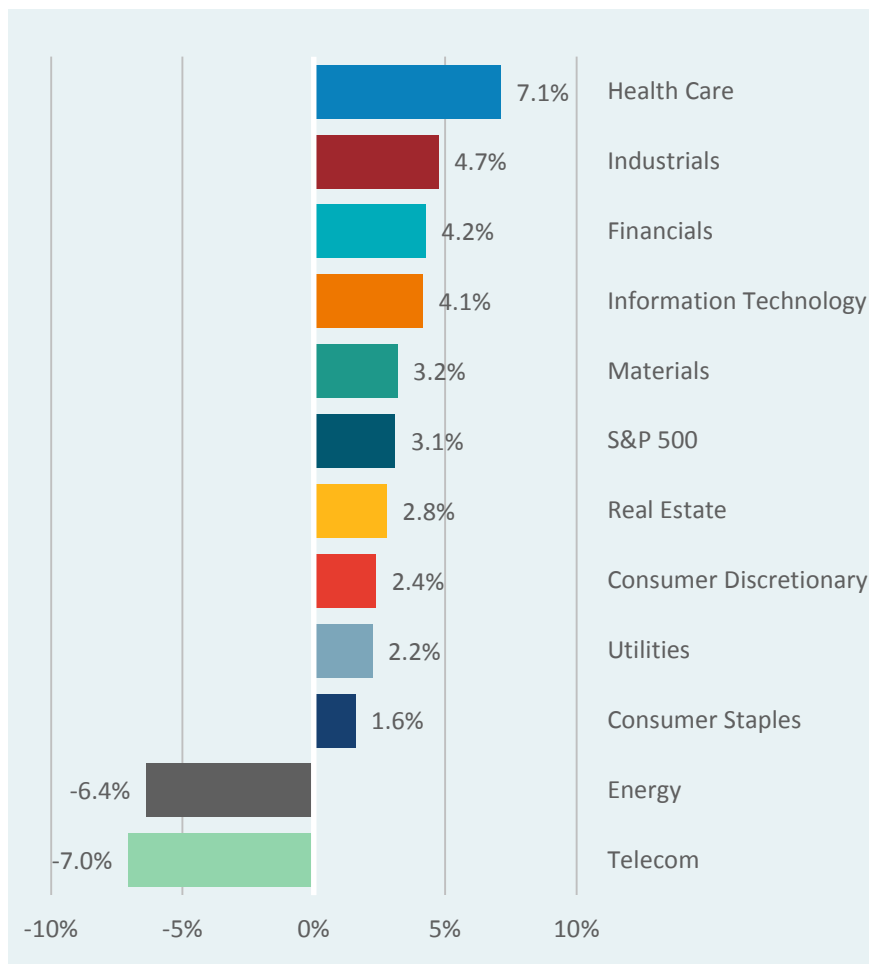
TEN YEARS ENDING JUNE



Source: Morningstar, as of 6/30/17

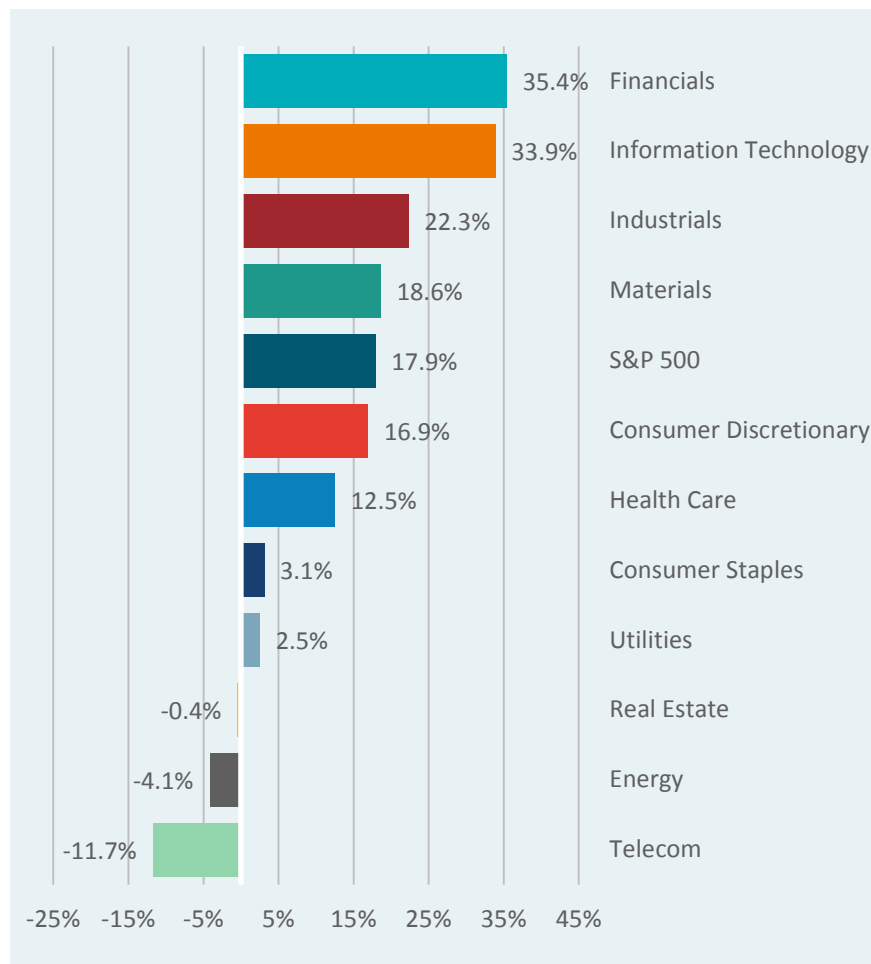
# S&P 500 sector returns

2<sup>ND</sup> QUARTER



Source: Morningstar, as of 6/30/17

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/17

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	0.6	3.1	9.3	17.9	9.6	14.6	7.2
S&P 500 Equal Weighted	1.2	2.5	8.1	17.3	8.5	15.5	8.3
DJ Industrial Average	1.7	4.0	9.3	22.1	11.0	13.5	7.6
Russell Top 200	0.6	3.2	9.8	18.6	9.9	14.6	7.2
Russell 1000	0.7	3.1	9.3	18.0	9.3	14.7	7.3
Russell 2000	3.5	2.5	5.0	24.6	7.4	13.7	6.9
Russell 3000	0.9	3.0	8.9	18.5	9.1	14.6	7.3
Russell Mid Cap	1.0	2.7	8.0	16.5	7.7	14.7	7.7
<b>Style Index</b>							
Russell 1000 Growth	(0.3)	4.7	14.0	20.4	11.1	15.3	8.9
Russell 1000 Value	1.6	1.3	4.7	15.5	7.4	13.9	5.6
Russell 2000 Growth	3.4	4.4	10.0	24.4	7.6	14.0	7.8
Russell 2000 Value	3.5	0.7	0.5	24.9	7.0	13.4	5.9

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	0.5	4.3	11.5	18.8	4.8	10.5	3.7
MSCI ACWI ex US	0.3	5.8	14.1	20.5	0.8	7.2	1.1
MSCI EAFE	(0.2)	6.1	13.8	20.3	1.1	8.7	1.0
MSCI EM	1.0	6.3	18.4	23.7	1.1	4.0	1.9
MSCI EAFE Small Cap	(0.0)	8.1	16.7	23.2	5.6	12.9	3.4
<b>Style Index</b>							
MSCI EAFE Growth	(0.7)	7.5	16.7	15.7	2.8	9.2	2.1
MSCI EAFE Value	0.3	4.8	11.1	25.0	(0.6)	8.1	(0.1)
<b>Regional Index</b>							
MSCI UK	(1.9)	4.7	10.0	13.3	(3.0)	5.3	0.2
MSCI Japan	1.1	5.2	9.9	19.2	5.5	9.6	1.2
MSCI Euro	(1.2)	7.5	16.6	27.7	0.1	10.4	(0.5)
MSCI EM Asia	1.7	8.6	23.2	27.9	5.0	7.7	3.8
MSCI EM Latin American	0.7	(1.7)	10.1	15.0	(6.6)	(3.8)	(1.1)

Source: Morningstar, as of 6/30/17

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
BBgBarc US Treasury US TIPS	(0.9)	(0.4)	0.9	(0.6)	0.6	0.3	4.3
BBgBarc US Treasury Bills	0.1	0.2	0.3	0.5	0.3	0.2	0.7
BBgBarc US Agg Bond	(0.1)	1.4	2.3	(0.3)	2.5	2.2	4.5
<b>Duration</b>							
BBgBarc US Treasury 1-3 Yr	(0.1)	0.2	0.5	(0.1)	0.7	0.6	2.0
BBgBarc US Treasury Long	0.4	4.0	5.4	(7.2)	5.6	2.8	7.3
BBgBarc US Treasury	(0.2)	1.2	1.9	(2.3)	2.0	1.3	4.1
<b>Issuer</b>							
BBgBarc US MBS	(0.4)	0.9	1.3	(0.1)	2.2	2.0	4.3
BBgBarc US Corp. High Yield	0.1	2.2	4.9	12.7	4.5	6.9	7.7
BBgBarc US Agency Interm	(0.1)	0.5	1.0	(0.1)	1.4	1.1	3.1
BBgBarc US Credit	0.3	2.4	3.7	1.8	3.4	3.7	5.6

## OTHER

<b>Index</b>							
Bloomberg Commodity	(0.2)	(3.0)	(5.3)	(6.5)	(14.8)	(9.2)	(6.5)
Wilshire US REIT	2.4	1.8	1.8	(1.7)	8.3	9.3	5.6
CS Leveraged Loans	(0.1)	0.8	2.0	7.5	3.5	4.8	4.2
<b>Regional Index</b>							
JPM EMBI Global Div	(0.1)	2.2	6.2	6.0	5.4	5.7	7.4
JPM GBI-EM Global Div	0.5	3.6	10.4	6.4	(2.8)	(0.7)	4.0
<b>Hedge Funds</b>							
HFRI Composite	(0.6)	0.2	2.6	5.8	1.3	3.7	0.8
HFRI FOF Composite	0.4	1.1	3.7	8.0	2.6	4.9	3.0
<b>Currency (Spot)</b>							
Euro	1.4	6.6	8.1	2.7	(5.9)	(2.1)	(1.7)
Pound	0.6	3.9	5.1	(2.8)	(8.8)	(3.7)	(4.3)
Yen	(1.6)	(0.8)	3.8	(8.7)	(3.4)	(6.6)	0.9

# Definitions

**Bloomberg US Weekly Consumer Comfort Index** - tracks the public's economic attitudes each week, providing a high-frequency read on consumer sentiment. The index, based on cell and landline telephone interviews with a random, representative national sample of U.S. adults, tracks Americans' ratings of the national economy, their personal finances and the buying climate on a weekly basis, with views of the economy's direction measured separately each month. ([www.lanqerresearch.com](http://www.lanqerresearch.com))

**University of Michigan Consumer Sentiment Index** - A survey of consumer attitudes concerning both the present situation as well as expectations regarding economic conditions conducted by the University of Michigan. For the preliminary release approximately three hundred consumers are surveyed while five hundred are interviewed for the final figure. The level of consumer sentiment is related to the strength of consumer spending. ([www.Bloomberg.com](http://www.Bloomberg.com))

**Citi Economic Surprise Index** - objective and quantitative measures of economic news. Defined as weighted historical standard deviations of data surprises (actual releases vs Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance been beating consensus. The indices are calculated daily in a rolling three-month window. The weights of economic indicators are derived from relative high-frequency spot FX impacts of 1 standard deviation data surprises. The indices also employ a time decay function to replicate the limited memory of markets. ([www.Bloomberg.com](http://www.Bloomberg.com))

**Merrill Lynch Option Volatility Estimate (MOVE) Index** – a yield curve weighted index comprised of a weighted set of 1-month Treasury options, including 2.5.10 and 30 year tenor contracts. This index is an indicator of the expected (implied) future volatility in the rate markets. ([www.Bloomberg.com](http://www.Bloomberg.com))

**OECD Consumer Confidence Index** - based on households' plans for major purchases and their economic situation, both currently and their expectations for the immediate future. Opinions compared to a "normal" state are collected and the difference between positive and negative answers provides a qualitative index on economic conditions. (<https://data.oecd.org/>)

**OECD Business Confidence Index** - based on enterprises' assessment of production, orders and stocks, as well as its current position and expectations for the immediate future. Opinions compared to a "normal" state are collected and the difference between positive and negative answers provides a qualitative index on economic conditions. (<https://data.oecd.org/>)

**NFIB Small Business Outlook** - Small Business Economic Trends (SBET) is a monthly assessment of the U.S. small-business economy and its near-term prospects. Its data are collected through mail surveys to random samples of the National Federal of Independent Business (NFIB) membership. The survey contains three broad question types: recent performance, near-term forecasts, and demographics. The topics addressed include: outlook, sales, earnings, employment, employee compensation, investment, inventories, credit conditions, and single most important problem. (<http://www.nfib-sbet.org/about/>)

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# San Luis Obispo County Pension Trust

Investment Performance Review

Period Ending: June 30, 2017



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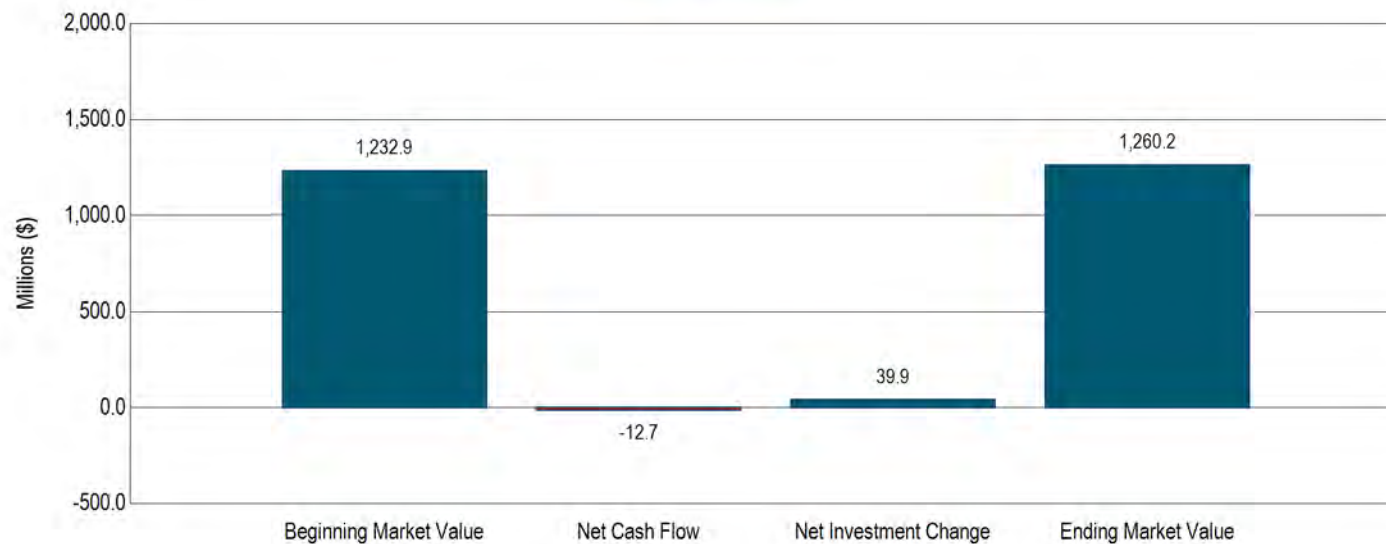
Total Fund  
Portfolio Reconciliation

Period Ending: June 30, 2017

Portfolio Reconciliation

	Last Three Months	Year-To-Date	One Year
Beginning Market Value	\$1,232,920,247	\$1,196,774,651	\$1,160,657,708
Net Cash Flow	-\$12,651,263	-\$31,249,971	-\$22,785,692
Net Investment Change	\$39,946,606	\$94,690,910	\$122,343,574
Ending Market Value	\$1,260,215,590	\$1,260,215,590	\$1,260,215,590

Change in Market Value  
Last Three Months



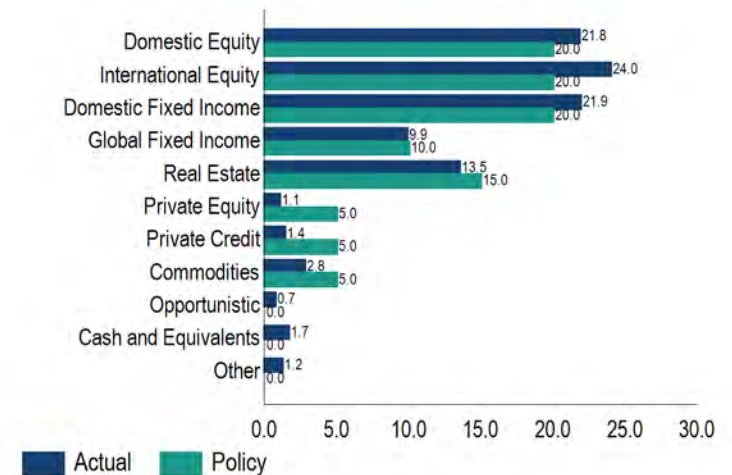
Contributions and withdrawals may include intra-account transfers between managers/funds.

# Total Fund Executive Summary (Gross of Fees)

Period Ending: June 30, 2017

	QTD	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
<b>Total Fund</b>	<b>3.3</b>	<b>25</b>	<b>8.1</b>	<b>23</b>	<b>10.8</b>	<b>76</b>	<b>4.0</b>	<b>86</b>	<b>8.1</b>	<b>70</b>
Policy Index	2.7	69	6.3	86	10.2	86	4.3	81	7.7	81
<b>Total Fund ex Clifton</b>	<b>3.3</b>	<b>26</b>	<b>8.0</b>	<b>29</b>	<b>10.7</b>	<b>80</b>	<b>4.0</b>	<b>87</b>	<b>8.0</b>	<b>70</b>
Policy Index	2.7	69	6.3	86	10.2	86	4.3	81	7.7	81
<b>Total Domestic Equity</b>	<b>4.6</b>	<b>2</b>	<b>10.9</b>	<b>6</b>	<b>19.3</b>	<b>35</b>	<b>9.3</b>	<b>25</b>	<b>14.7</b>	<b>24</b>
Russell 3000	3.0	40	8.9	34	18.5	53	9.1	34	14.6	41
<b>Total International Equity</b>	<b>6.4</b>	<b>53</b>	<b>15.7</b>	<b>50</b>	<b>20.5</b>	<b>56</b>	<b>2.2</b>	<b>49</b>	<b>9.3</b>	<b>24</b>
MSCI ACWI ex USA Gross	6.0	68	14.5	79	21.0	45	1.3	77	7.7	70
<b>Total Domestic Fixed Income</b>	<b>0.9</b>	<b>92</b>	<b>2.2</b>	<b>60</b>	<b>1.8</b>	<b>41</b>	<b>2.8</b>	<b>47</b>	<b>2.7</b>	<b>51</b>
BBgBarc US Aggregate TR	1.4	49	2.3	60	-0.3	88	2.5	61	2.2	66
<b>Total Global Fixed</b>	<b>3.7</b>	<b>15</b>	<b>10.4</b>	<b>5</b>	<b>5.1</b>	<b>71</b>	<b>-1.9</b>	<b>95</b>	<b>0.9</b>	<b>90</b>
Citi World Govt Bond Index	2.9	20	4.5	69	-4.1	99	-1.0	90	-0.2	96
<b>Total Real Estate</b>	<b>1.9</b>	<b>--</b>	<b>4.2</b>	<b>--</b>	<b>8.4</b>	<b>--</b>	<b>11.6</b>	<b>--</b>	<b>11.7</b>	<b>--</b>
NCREIF Property Index	1.8	--	3.3	--	7.0	--	10.2	--	10.5	--
<b>Total Commodities</b>	<b>-3.0</b>	<b>--</b>	<b>-3.9</b>	<b>--</b>	<b>-3.5</b>	<b>--</b>	<b>-14.1</b>	<b>--</b>	<b>-8.7</b>	<b>--</b>
Bloomberg Commodity Index TR USD	-3.0	--	-5.3	--	-6.5	--	-14.8	--	-9.2	--
<b>Total Private Equity</b>	<b>4.9</b>	<b>--</b>	<b>11.5</b>	<b>--</b>	<b>22.0</b>	<b>--</b>	<b>18.2</b>	<b>--</b>	<b>17.1</b>	<b>--</b>
Russell 3000 + 3%	3.8	--	10.5	--	22.0	--	12.4	--	18.0	--
<b>Total Private Credit</b>	<b>-0.3</b>	<b>--</b>	<b>-2.8</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
BBgBarc High Yield +2% (Lagged)	3.2	--	5.5	--	--	--	--	--	--	--
<b>Total Cash</b>	<b>0.4</b>	<b>--</b>	<b>0.6</b>	<b>--</b>	<b>0.8</b>	<b>--</b>	<b>0.6</b>	<b>--</b>	<b>0.4</b>	<b>--</b>
91 Day T-Bills	0.2	--	0.4	--	0.5	--	0.2	--	0.2	--
<b>Total Opportunistic</b>	<b>2.2</b>	<b>--</b>	<b>2.2</b>	<b>--</b>	<b>9.1</b>	<b>--</b>	<b>4.8</b>	<b>--</b>	<b>10.6</b>	<b>--</b>
Russell 3000 + 3%	3.8	--	10.5	--	22.0	--	12.4	--	18.0	--

Actual vs Target Allocation (%)



Rolling Annualized Excess Performance and Tracking Error  
Total Fund vs. Policy Index



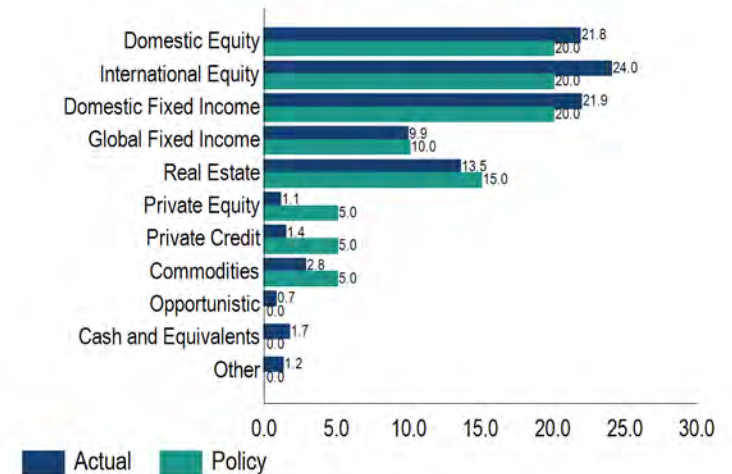
New Policy Index as of 10/1/2016: 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity Index, 5% Russell 3000 +3%, 5% BBgBarc High Yield +2% (Lagged). Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. Stone Harbor funded 7/9/13. Gresham TAP funded 8/30/13. Pacific Asset Corporate Loan funded 9/1/2014. Pathway Private Equity Fund Investors 9 L.P. funded 4/7/2017. All returns are (G) Gross of fees. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation.

# Total Fund Executive Summary (Net of Fees)

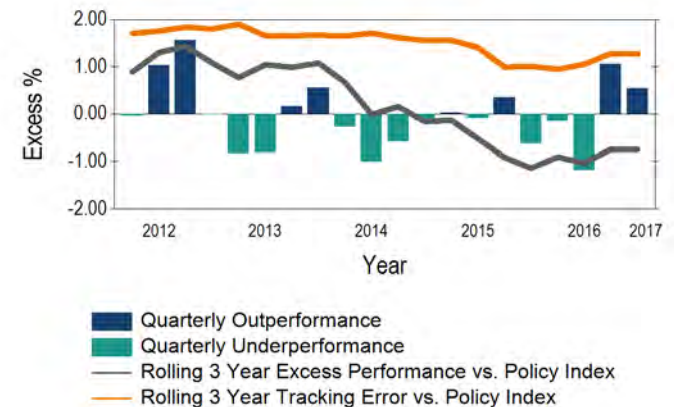
Period Ending: June 30, 2017

	QTD	Rank	YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
<b>Total Fund</b>	<b>3.2</b>	<b>31</b>	<b>8.0</b>	<b>30</b>	<b>10.4</b>	<b>84</b>	<b>3.5</b>	<b>94</b>	<b>7.6</b>	<b>82</b>
Policy Index	2.7	69	6.3	86	10.2	86	4.3	81	7.7	81
<b>Total Fund ex Clifton</b>	<b>3.2</b>	<b>32</b>	<b>7.8</b>	<b>36</b>	<b>10.2</b>	<b>86</b>	<b>3.5</b>	<b>94</b>	<b>7.5</b>	<b>83</b>
Policy Index	2.7	69	6.3	86	10.2	86	4.3	81	7.7	81
<b>Total Domestic Equity</b>	<b>4.4</b>	<b>2</b>	<b>10.7</b>	<b>8</b>	<b>18.9</b>	<b>47</b>	<b>8.9</b>	<b>47</b>	<b>14.3</b>	<b>63</b>
Russell 3000	3.0	40	8.9	34	18.5	53	9.1	34	14.6	41
<b>Total International Equity</b>	<b>6.2</b>	<b>60</b>	<b>15.3</b>	<b>62</b>	<b>19.8</b>	<b>73</b>	<b>1.6</b>	<b>68</b>	<b>8.6</b>	<b>49</b>
MSCI ACWI ex USA Gross	6.0	68	14.5	79	21.0	45	1.3	77	7.7	70
<b>Total Domestic Fixed Income</b>	<b>0.8</b>	<b>94</b>	<b>2.1</b>	<b>63</b>	<b>1.5</b>	<b>43</b>	<b>2.6</b>	<b>58</b>	<b>2.4</b>	<b>62</b>
BBgBarc US Aggregate TR	1.4	49	2.3	60	-0.3	88	2.5	61	2.2	66
<b>Total Global Fixed</b>	<b>3.5</b>	<b>16</b>	<b>10.1</b>	<b>11</b>	<b>4.4</b>	<b>81</b>	<b>-2.6</b>	<b>98</b>	<b>0.3</b>	<b>93</b>
Citi World Govt Bond Index	2.9	20	4.5	69	-4.1	99	-1.0	90	-0.2	96
<b>Total Real Estate</b>	<b>1.9</b>	<b>--</b>	<b>4.2</b>	<b>--</b>	<b>7.9</b>	<b>--</b>	<b>10.8</b>	<b>--</b>	<b>10.9</b>	<b>--</b>
NCREIF Property Index	1.8	--	3.3	--	7.0	--	10.2	--	10.5	--
<b>Total Commodities</b>	<b>-3.0</b>	<b>--</b>	<b>-3.9</b>	<b>--</b>	<b>-3.8</b>	<b>--</b>	<b>-14.6</b>	<b>--</b>	<b>-9.2</b>	<b>--</b>
Bloomberg Commodity Index TR USD	-3.0	--	-5.3	--	-6.5	--	-14.8	--	-9.2	--
<b>Total Private Equity</b>	<b>4.9</b>	<b>--</b>	<b>11.5</b>	<b>--</b>	<b>21.0</b>	<b>--</b>	<b>16.5</b>	<b>--</b>	<b>12.7</b>	<b>--</b>
Russell 3000 + 3%	3.8	--	10.5	--	22.0	--	12.4	--	18.0	--
<b>Total Private Credit</b>	<b>-0.3</b>	<b>--</b>	<b>-2.8</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
BBgBarc High Yield +2% (Lagged)	3.2	--	5.5	--	--	--	--	--	--	--
<b>Total Cash</b>	<b>0.4</b>	<b>--</b>	<b>0.6</b>	<b>--</b>	<b>0.8</b>	<b>--</b>	<b>0.6</b>	<b>--</b>	<b>0.4</b>	<b>--</b>
91 Day T-Bills	0.2	--	0.4	--	0.5	--	0.2	--	0.2	--
<b>Total Opportunistic</b>	<b>2.2</b>	<b>--</b>	<b>2.2</b>	<b>--</b>	<b>8.5</b>	<b>--</b>	<b>4.3</b>	<b>--</b>	<b>10.3</b>	<b>--</b>
Russell 3000 + 3%	3.8	--	10.5	--	22.0	--	12.4	--	18.0	--

Actual vs Target Allocation (%)



Rolling Annualized Excess Performance and Tracking Error  
Total Fund vs. Policy Index



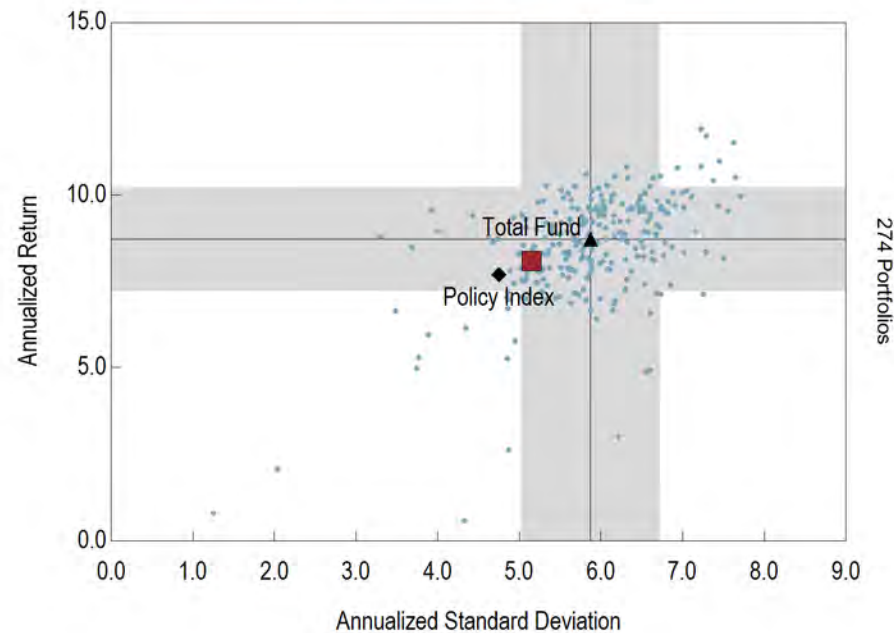
New Policy Index as of 10/1/2016: 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity Index, 5% Russell 3000 +3%, 5% BBgBarc High Yield +2% (Lagged). Private Equity, Private Credit and Opportunistic composite returns are lagged by one quarter. Stone Harbor funded 7/9/13. Gresham TAP funded 8/30/13. Pacific Asset Corporate Loan funded 9/1/2014. Pathway Private Equity Fund Investors 9 L.P. funded 4/7/2017. All returns are (N) Net of fees. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation.

Total Fund  
Risk Analysis - 5 Years (Gross of Fees)

Period Ending: June 30, 2017

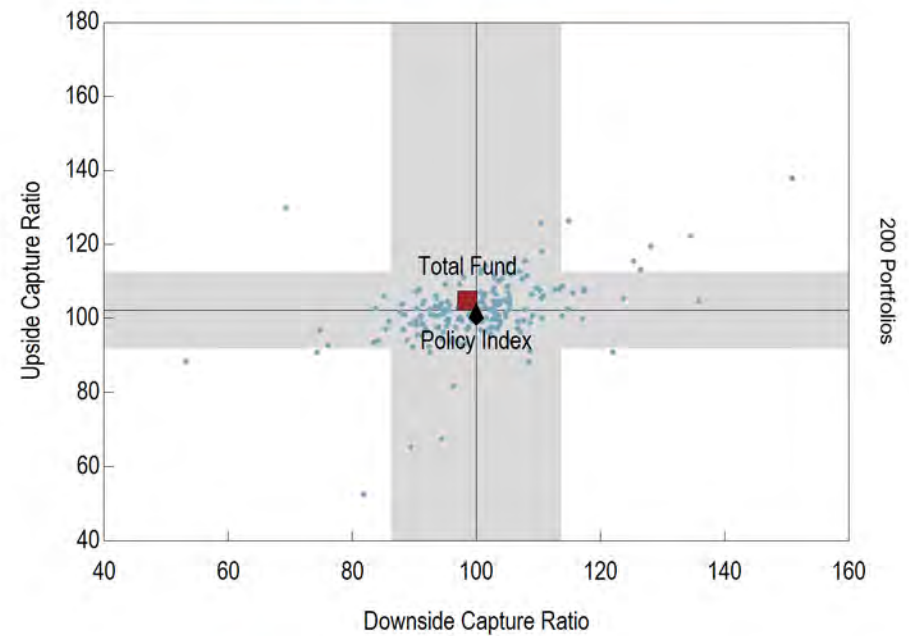
	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
Total Fund	8.08%	0.39%	5.15%	0.07%	1.04	1.45%	0.92	1.54	0.27	104.82%	98.56%

Annualized Return vs. Annualized Standard Deviation



- Total Fund
- ◆ Policy Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB Gross

Upside Capture Ratio vs. Downside Capture Ratio

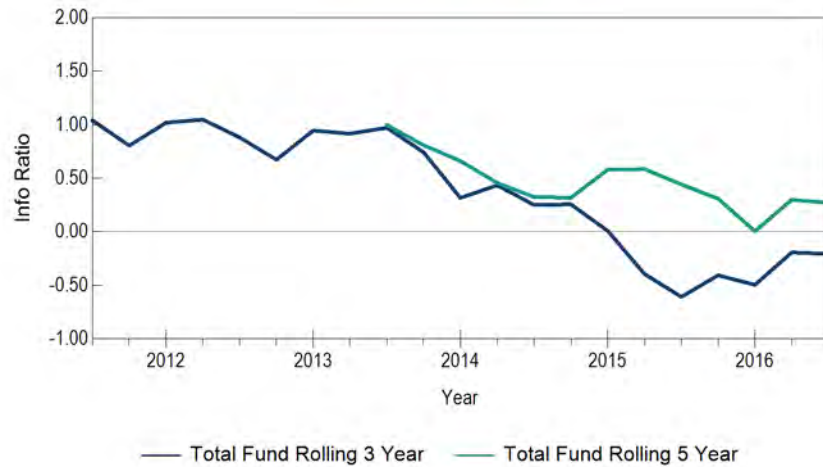


- Total Fund
- ◆ Policy Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB Gross

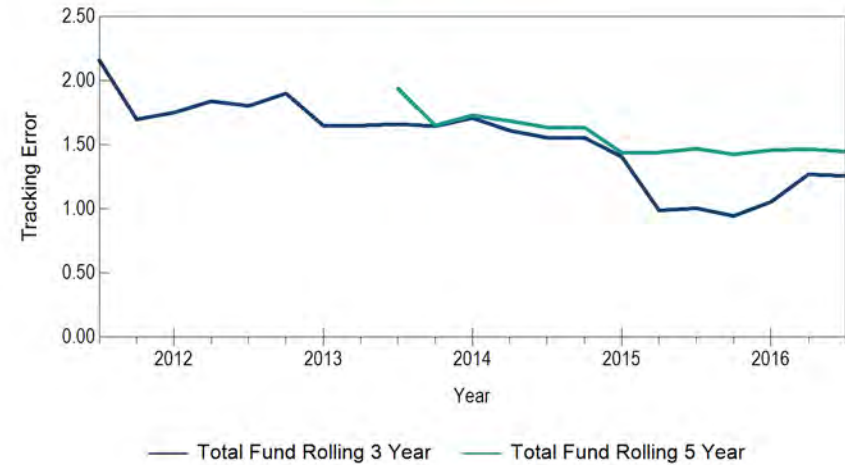
# Total Fund Rolling Risk Statistics (Gross of Fees)

Period Ending: June 30, 2017

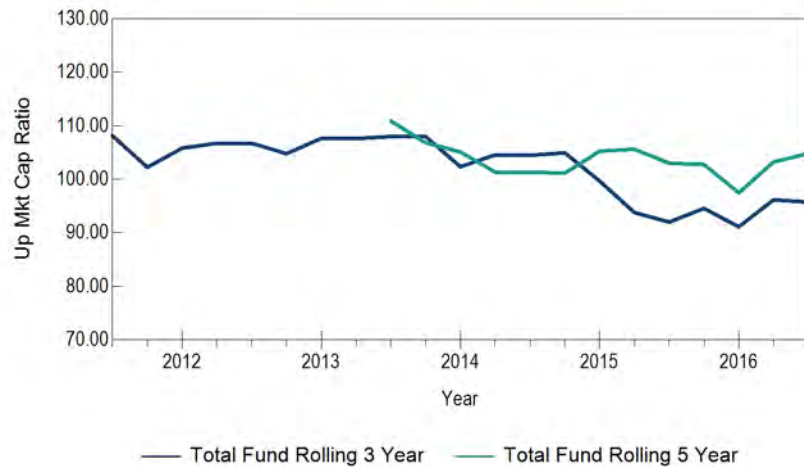
Rolling Information Ratio



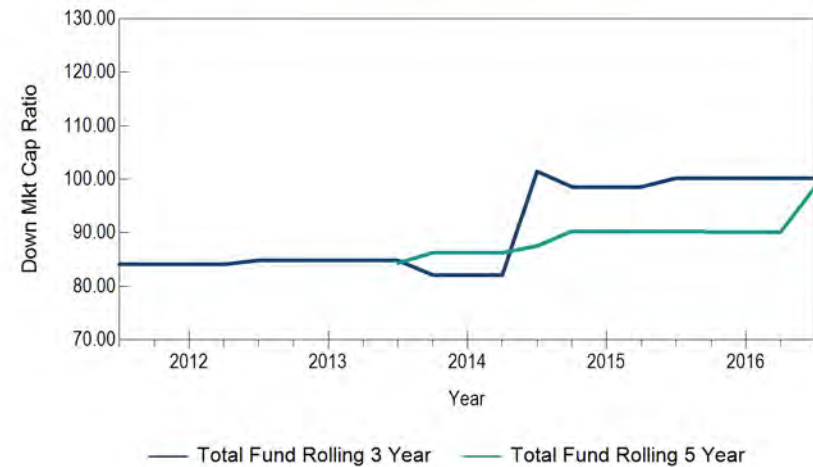
Rolling Tracking Error



Rolling Up Market Capture Ratio (%)



Rolling Down Market Capture Ratio (%)





# Total Fund Performance Summary (Gross of Fees)

Period Ending: June 30, 2017

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012	Return	Since
<b>Total Fund</b>	<b>1,260,215,590</b>	<b>100.0</b>	<b>3.3</b>	<b>8.1</b>	<b>10.8</b>	<b>4.0</b>	<b>8.1</b>	<b>--</b>	<b>6.6</b>	<b>-0.8</b>	<b>5.1</b>	<b>13.8</b>	<b>12.8</b>	<b>--</b>	
<i>InvestorForce Public DB Gross Rank</i>			25	23	76	86	70	--	84	74	66	71	40	--	
Total Fund ex Clifton	1,244,622,210	98.8	3.3	8.0	10.7	4.0	8.0	4.9	6.6	-0.8	5.2	13.8	12.7	--	
<i>Policy Index</i>			2.7	6.3	10.2	4.3	7.7	4.8	7.8	-0.5	5.2	13.4	11.6	--	
<i>InvestorForce Public DB Gross Rank</i>			26	29	80	87	70	75	83	75	64	72	43	--	
<b>Total Domestic Equity</b>	<b>274,926,049</b>	<b>21.8</b>	<b>4.6</b>	<b>10.9</b>	<b>19.3</b>	<b>9.3</b>	<b>14.7</b>	<b>8.3</b>	<b>13.0</b>	<b>1.2</b>	<b>11.0</b>	<b>32.2</b>	<b>12.8</b>	<b>--</b>	
<i>Russell 3000</i>			3.0	8.9	18.5	9.1	14.6	7.3	12.7	0.5	12.6	33.6	16.4	--	
<i>InvestorForce Public DB US Eq Gross Rank</i>			2	6	35	25	24	3	48	18	60	91	98	--	
SSGA S&P 500 Flag.	11,202,478	0.9	3.1	9.3	18.0	9.7	14.7	--	12.0	1.5	13.7	32.4	16.1	12.5	Feb-11
<i>S&amp;P 500</i>			3.1	9.3	17.9	9.6	14.6	--	12.0	1.4	13.7	32.4	16.0	12.5	Feb-11
<i>eA US Large Cap Core Equity Gross Rank</i>			47	44	46	28	38	--	31	40	42	58	39	42	Feb-11
PIMCO RAE Fundamental PLUS Instl	52,094,360	4.1	0.7	4.3	13.8	7.0	14.2	7.0	15.9	-2.7	12.7	36.0	16.8	7.6	Nov-07
<i>S&amp;P 500</i>			3.1	9.3	17.9	9.6	14.6	7.2	12.0	1.4	13.7	32.4	16.0	7.6	Nov-07
<i>eA US Large Cap Core Equity Gross Rank</i>			97	98	84	85	54	74	6	86	58	22	29	66	Nov-07
Loomis Sayles Large Cap Growth	82,698,916	6.6	8.6	18.3	--	--	--	--	--	--	--	--	--	18.3	Dec-16
<i>Russell 1000 Growth</i>			4.7	14.0	--	--	--	--	--	--	--	--	--	14.0	Dec-16
<i>eA US Large Cap Growth Equity Gross Rank</i>			5	13	--	--	--	--	--	--	--	--	--	13	Dec-16
Boston Partners Large Cap Value	74,130,447	5.9	2.7	--	--	--	--	--	--	--	--	--	--	6.0	Jan-17
<i>Russell 1000 Value</i>			1.3	--	--	--	--	--	--	--	--	--	--	3.9	Jan-17
<i>eA US Large Cap Value Equity Gross Rank</i>			27	--	--	--	--	--	--	--	--	--	--	1	Jan-17
Atlanta Capital Mgmt	54,799,848	4.3	5.4	11.2	16.3	13.0	16.9	--	12.6	10.4	5.8	37.8	15.5	18.7	Aug-10
<i>Russell 2500</i>			2.1	6.0	19.8	6.9	14.0	--	17.6	-2.9	7.1	36.8	17.9	15.1	Aug-10
<i>eA US Small-Mid Cap Equity Gross Rank</i>			13	20	85	3	10	--	62	1	56	52	55	1	Aug-10
<b>Total International Equity</b>	<b>302,229,131</b>	<b>24.0</b>	<b>6.4</b>	<b>15.7</b>	<b>20.5</b>	<b>2.2</b>	<b>9.3</b>	<b>2.8</b>	<b>2.2</b>	<b>-4.3</b>	<b>2.1</b>	<b>17.9</b>	<b>21.5</b>	<b>--</b>	
<i>MSCI ACWI ex USA Gross</i>			6.0	14.5	21.0	1.3	7.7	1.6	5.0	-5.3	-3.4	15.8	17.4	--	
<i>InvestorForce Public DB ex-US Eq Gross Rank</i>			53	50	56	49	24	20	82	68	1	50	11	--	
Dodge & Cox Intl Stock	158,875,545	12.6	4.9	14.9	31.2	1.3	10.9	--	9.0	-10.8	0.7	27.1	21.8	2.9	Dec-07
<i>MSCI EAFE Gross</i>			6.4	14.2	20.8	1.6	9.2	--	1.5	-0.4	-4.5	23.3	17.9	1.3	Dec-07
<i>eA All EAFE Equity Gross Rank</i>			92	51	3	83	37	--	3	99	13	32	37	47	Dec-07
WCM International Growth	143,353,586	11.4	8.0	--	--	--	--	--	--	--	--	--	--	12.2	Feb-17
<i>MSCI ACWI ex USA Gross</i>			6.0	--	--	--	--	--	--	--	--	--	--	8.8	Feb-17
<i>eA ACWI ex-US All Cap Growth Eq Gross Rank</i>			46	--	--	--	--	--	--	--	--	--	--	6	Feb-17

Since Inception ranking is from the beginning of the first complete month of performance. Research Affiliates converted to PIMCO RAE Fundamental Plus Instl on 6/5/15 (performance prior to this date represents previously held Research Affiliates Equity US Large, L.P.). ARA American funded 6/22/2016. Fidelity Real Estate Growth II liquidated 12/31/2015. Loomis Sayles Large Cap Growth funded 12/31/2016. Direct Real Estate is lagged one quarter. Boston Partners funded 1/31/2017. Vontobel liquidated 2/15/2017. WCM International funded 2/15/2017. PIMCO Core Plus liquidated 1/6/2017. As of 6/30/2017, PIMCO Core Plus has \$49,268 residual cash. BlackRock Core and Dodge & Cox Income funded 1/19/2017. Pathway Private Equity Fund Investors 9 L.P. funded 4/7/2017.

# Total Fund Performance Summary (Gross of Fees)

Period Ending: June 30, 2017

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012	Return	Since
<b>Total Domestic Fixed Income</b>	<b>275,964,969</b>	<b>21.9</b>	<b>0.9</b>	<b>2.2</b>	<b>1.8</b>	<b>2.8</b>	<b>2.7</b>	<b>3.8</b>	<b>4.5</b>	<b>1.1</b>	<b>4.7</b>	<b>-2.7</b>	<b>7.9</b>	<b>--</b>	
BBgBarc US Aggregate TR			1.4	2.3	-0.3	2.5	2.2	4.5	2.6	0.6	6.0	-2.0	4.2	--	
InvestorForce Public DB US Fix Inc Gross Rank			92	60	41	47	51	81	49	17	68	95	38	--	
BlackRock Core Bond	94,226,103	7.5	0.5	--	--	--	--	--	--	--	--	--	--	1.2	Jan-17
BBgBarc US Aggregate TR			1.4	--	--	--	--	--	--	--	--	--	--	2.1	Jan-17
eA US Core Fixed Inc Gross Rank			99	--	--	--	--	--	--	--	--	--	--	94	Jan-17
Dodge & Cox Income Fund	95,738,386	7.6	1.6	--	--	--	--	--	--	--	--	--	--	2.5	Jan-17
BBgBarc US Aggregate TR			1.4	--	--	--	--	--	--	--	--	--	--	2.1	Jan-17
eA US Core Fixed Inc Gross Rank			42	--	--	--	--	--	--	--	--	--	--	1	Jan-17
Pacific Asset Corporate Loan	67,059,382	5.3	0.7	2.1	7.5	--	--	--	9.2	2.5	--	--	--	4.4	Sep-14
S&P/LSTA Leveraged Loan Index			0.8	1.9	7.4	--	--	--	10.2	-0.7	--	--	--	3.5	Sep-14
eA Float-Rate Bank Loan Gross Rank			78	33	38	--	--	--	51	9	--	--	--	23	Sep-14
SSGA TIPS	18,891,829	1.5	-0.4	0.9	-0.6	0.6	0.3	--	4.7	-1.5	3.6	-8.6	6.9	1.8	Jul-11
BBgBarc US TIPS TR			-0.4	0.9	-0.6	0.6	0.3	--	4.7	-1.4	3.6	-8.6	7.0	1.8	Jul-11
eA TIPS / Infl Indexed Fixed Inc Gross Rank			73	73	82	61	88	--	51	64	44	77	67	21	Jul-11
<b>Total Global Fixed</b>	<b>124,343,762</b>	<b>9.9</b>	<b>3.7</b>	<b>10.4</b>	<b>5.1</b>	<b>-1.9</b>	<b>0.9</b>	<b>--</b>	<b>5.8</b>	<b>-11.8</b>	<b>-2.2</b>	<b>-3.8</b>	<b>13.8</b>	<b>--</b>	
Citi World Govt Bond Index			2.9	4.5	-4.1	-1.0	-0.2	--	1.6	-3.6	-0.5	-4.0	1.6	--	
InvestorForce Public DB Gbl Fix Inc Gross Rank			15	5	71	95	90	--	67	95	93	59	26	--	
Brandywine Global Fixed Income	63,016,491	5.0	4.2	9.4	2.9	-0.9	2.0	--	2.2	-9.3	2.9	-1.6	13.8	4.3	Nov-07
JPM GBI Global TR USD			2.6	4.1	-4.4	-0.5	0.0	--	1.6	-2.6	0.7	-4.5	1.3	2.8	Nov-07
eA Global Fixed Inc Unhedged Gross Rank			11	4	54	88	59	--	71	96	43	59	30	36	Nov-07
Stone Harbor Local Markets Ins	61,327,271	4.9	3.2	11.5	7.4	-3.1	--	--	9.9	-14.4	-7.7	--	--	-1.6	Jul-13
JPM GBI-EM Global Diversified TR USD			3.6	10.4	6.4	-2.8	--	--	9.9	-14.9	-5.7	--	--	-1.0	Jul-13
eA All Emg Mkts Fixed Inc Gross Rank			27	9	63	96	--	--	67	79	98	--	--	99	Jul-13
<b>Total Real Estate</b>	<b>170,282,318</b>	<b>13.5</b>	<b>1.9</b>	<b>4.2</b>	<b>8.4</b>	<b>11.6</b>	<b>11.7</b>	<b>4.9</b>	<b>7.8</b>	<b>18.0</b>	<b>10.4</b>	<b>12.9</b>	<b>9.8</b>	<b>--</b>	
NCREIF Property Index			1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5	--	
ARA American Strategic Value Realty	11,149,843	0.9	0.0	2.7	8.4	--	--	--	--	--	--	--	--	8.4	Jun-16
NCREIF-ODCE			1.7	3.5	7.9	--	--	--	--	--	--	--	--	7.9	Jun-16
NCREIF Property Index			1.8	3.3	7.0	--	--	--	--	--	--	--	--	7.0	Jun-16
Direct Real Estate	12,996,972	1.0	6.6	12.4	15.8	14.5	11.5	6.1	5.5	22.9	6.1	5.2	9.2	--	
NCREIF-ODCE			1.7	3.5	7.9	11.3	11.8	5.2	8.8	15.0	12.5	13.9	10.9	--	
NCREIF Property Index			1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5	--	

Since Inception ranking is from the beginning of the first complete month of performance. Research Affiliates converted to PIMCO RAE Fundamental Plus Instl on 6/5/15 (performance prior to this date represents previously held Research Affiliates Equity US Large, L.P.). ARA American funded 6/22/2016. Fidelity Real Estate Growth II liquidated 12/31/2015. Loomis Sayles Large Cap Growth funded 12/31/2016. Direct Real Estate is lagged one quarter. Boston Partners funded 1/31/2017. Vontobel liquidated 2/15/2017. WCM International funded 2/15/2017. PIMCO Core Plus liquidated 1/6/2017. As of 6/30/2017, PIMCO Core Plus has \$49,268 residual cash. BlackRock Core and Dodge & Cox Income funded 1/19/2017. Pathway Private Equity Fund Investors 9 L.P. funded 4/7/2017.



# Total Fund Performance Summary (Gross of Fees)

Period Ending: June 30, 2017

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012	Return	Since
JP Morgan Core Real Estate	145,917,353	11.6	1.3	3.0	7.4	10.6	12.0	--	8.4	15.2	11.2	15.9	12.1	5.5	Mar-08
NCREIF-ODCE			1.7	3.5	7.9	11.3	11.8	--	8.8	15.0	12.5	13.9	10.9	5.0	Mar-08
NCREIF Property Index			1.8	3.3	7.0	10.2	10.5	--	8.0	13.3	11.8	11.0	10.5	6.1	Mar-08
Fidelity Real Estate Growth III	218,151	0.0	-33.6	-34.1	-37.6	2.4	8.7	-5.0	1.3	35.8	28.2	20.9	12.1	-7.0	Jul-07
NCREIF-ODCE			1.7	3.5	7.9	11.3	11.8	5.2	8.8	15.0	12.5	13.9	10.9	5.3	Jul-07
NCREIF Property Index			1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5	6.5	Jul-07
<b>Total Commodities</b>	<b>35,080,077</b>	<b>2.8</b>	<b>-3.0</b>	<b>-3.9</b>	<b>-3.5</b>	<b>-14.1</b>	<b>-8.7</b>	<b>--</b>	<b>12.6</b>	<b>-25.2</b>	<b>-16.0</b>	<b>-9.1</b>	<b>-0.9</b>	<b>--</b>	
Bloomberg Commodity Index TR USD			-3.0	-5.3	-6.5	-14.8	-9.2	--	11.8	-24.7	-17.0	-9.5	-1.1	--	
Gresham MTAP Commodity Builder	35,080,077	2.8	-3.0	-3.9	-3.5	-14.1	--	--	12.6	-25.2	-16.0	--	--	-10.3	Aug-13
Bloomberg Commodity Index TR USD			-3.0	-5.3	-6.5	-14.8	--	--	11.8	-24.7	-17.0	--	--	-11.0	Aug-13
<b>Total Cash</b>	<b>21,261,680</b>	<b>1.7</b>	<b>0.4</b>	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>	<b>0.4</b>	<b>0.9</b>	<b>0.5</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>--</b>	
91 Day T-Bills			0.2	0.4	0.5	0.2	0.2	0.4	0.3	0.0	0.0	0.0	0.1	--	
Cash Account	21,261,680	1.7	0.4	0.6	0.8	0.6	0.4	0.9	0.5	0.4	0.3	0.3	0.4	--	
91 Day T-Bills			0.2	0.4	0.5	0.2	0.2	0.4	0.3	0.0	0.0	0.0	0.1	--	

Since Inception ranking is from the beginning of the first complete month of performance. Research Affiliates converted to PIMCO RAE Fundamental Plus Instl on 6/5/15 (performance prior to this date represents previously held Research Affiliates Equity US Large, L.P.). ARA American funded 6/22/2016. Fidelity Real Estate Growth II liquidated 12/31/2015. Loomis Sayles Large Cap Growth funded 12/31/2016. Direct Real Estate is lagged one quarter. Boston Partners funded 1/31/2017. Vontobel liquidated 2/15/2017. WCM International funded 2/15/2017. PIMCO Core Plus liquidated 1/6/2017. As of 6/30/2017, PIMCO Core Plus has \$49,268 residual cash. BlackRock Core and Dodge & Cox Income funded 1/19/2017. Pathway Private Equity Fund Investors 9 L.P. funded 4/7/2017.

# Total Fund Performance Summary (Net of Fees)

Period Ending: June 30, 2017

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Fund</b>	<b>1,260,215,590</b>	<b>100.0</b>	<b>3.2</b>	<b>8.0</b>	<b>10.4</b>	<b>3.5</b>	<b>7.6</b>	<b>--</b>	<b>6.0</b>	<b>-1.3</b>	<b>4.6</b>	<b>13.3</b>	<b>12.3</b>
Total Fund ex Clifton	1,244,622,210	98.8	3.2	7.8	10.2	3.5	7.5	--	6.1	-1.3	4.7	13.2	12.2
Policy Index			2.7	6.3	10.2	4.3	7.7	--	7.8	-0.5	5.2	13.4	11.6
<b>Total Domestic Equity</b>	<b>274,926,049</b>	<b>21.8</b>	<b>4.4</b>	<b>10.7</b>	<b>18.9</b>	<b>8.9</b>	<b>14.3</b>	<b>--</b>	<b>12.7</b>	<b>0.8</b>	<b>10.5</b>	<b>31.6</b>	<b>12.3</b>
Russell 3000			3.0	8.9	18.5	9.1	14.6	--	12.7	0.5	12.6	33.6	16.4
SSGA S&P 500 Flag.	11,202,478	0.9	3.1	9.3	17.9	9.6	14.6	--	12.0	1.4	13.7	32.4	15.9
S&P 500			3.1	9.3	17.9	9.6	14.6	--	12.0	1.4	13.7	32.4	16.0
PIMCO RAE Fundamental PLUS Instl	52,094,360	4.1	0.6	4.1	13.3	6.5	13.8	6.7	15.4	-3.2	12.3	35.6	16.7
S&P 500			3.1	9.3	17.9	9.6	14.6	7.2	12.0	1.4	13.7	32.4	16.0
Loomis Sayles Large Cap Growth	82,698,916	6.6	8.5	18.0	--	--	--	--	--	--	--	--	--
Russell 1000 Growth			4.7	14.0	--	--	--	--	--	--	--	--	--
Boston Partners Large Cap Value	74,130,447	5.9	2.6	--	--	--	--	--	--	--	--	--	--
Russell 1000 Value			1.3	--	--	--	--	--	--	--	--	--	--
Atlanta Capital Mgmt	54,799,848	4.3	5.2	10.8	15.4	12.1	16.0	--	11.7	9.6	5.0	37.0	14.7
Russell 2500			2.1	6.0	19.8	6.9	14.0	--	17.6	-2.9	7.1	36.8	17.9
<b>Total International Equity</b>	<b>302,229,131</b>	<b>24.0</b>	<b>6.2</b>	<b>15.3</b>	<b>19.8</b>	<b>1.6</b>	<b>8.6</b>	<b>--</b>	<b>1.6</b>	<b>-4.9</b>	<b>1.4</b>	<b>17.0</b>	<b>20.6</b>
MSCI ACWI ex USA Gross			6.0	14.5	21.0	1.3	7.7	--	5.0	-5.3	-3.4	15.8	17.4
Dodge & Cox Intl Stock	158,875,545	12.6	4.8	14.5	30.4	0.6	10.2	--	8.3	-11.4	0.1	26.3	21.0
MSCI EAFE Gross			6.4	14.2	20.8	1.6	9.2	--	1.5	-0.4	-4.5	23.3	17.9
WCM International Growth	143,353,586	11.4	7.8	--	--	--	--	--	--	--	--	--	--
MSCI ACWI ex USA Gross			6.0	--	--	--	--	--	--	--	--	--	--
<b>Total Domestic Fixed Income</b>	<b>275,964,969</b>	<b>21.9</b>	<b>0.8</b>	<b>2.1</b>	<b>1.5</b>	<b>2.6</b>	<b>2.4</b>	<b>--</b>	<b>4.2</b>	<b>0.9</b>	<b>4.4</b>	<b>-3.0</b>	<b>7.6</b>
BBgBarc US Aggregate TR			1.4	2.3	-0.3	2.5	2.2	--	2.6	0.6	6.0	-2.0	4.2
BlackRock Core Bond	94,226,103	7.5	0.4	--	--	--	--	--	--	--	--	--	--
BBgBarc US Aggregate TR			1.4	--	--	--	--	--	--	--	--	--	--
Dodge & Cox Income Fund	95,738,386	7.6	1.5	--	--	--	--	--	--	--	--	--	--
BBgBarc US Aggregate TR			1.4	--	--	--	--	--	--	--	--	--	--
Pacific Asset Corporate Loan	67,059,382	5.3	0.6	2.0	7.2	--	--	--	8.8	2.1	--	--	--
S&P/LSTA Leveraged Loan Index			0.8	1.9	7.4	--	--	--	10.2	-0.7	--	--	--
SSGA TIPS	18,891,829	1.5	-0.4	0.8	-0.7	0.6	0.2	--	4.6	-1.5	3.6	-8.7	6.9
BBgBarc US TIPS TR			-0.4	0.9	-0.6	0.6	0.3	--	4.7	-1.4	3.6	-8.6	7.0

Research Affiliates converted to PIMCO RAE Fundamental Plus Instl on 6/5/15 (performance prior to this date represents previously held Research Affiliates Equity US Large, L.P.). ARA American funded 6/22/2016. Fidelity Real Estate Growth II liquidated 12/31/2015. Loomis Sayles Large Cap Growth funded 12/31/2016. Direct Real Estate is lagged one quarter. Boston Partners funded 1/31/2017. Vontobel liquidated 2/15/2017. WCM International funded 2/15/2017. PIMCO Core Plus liquidated 1/6/2017. As of 6/30/2017, PIMCO Core plus has \$49,268 residual cash. BlackRock Core and Dodge & Cox Income funded 1/19/2017. Pathway Private Equity Fund Investors 9 L.P. funded 4/7/2017.

# Total Fund Performance Summary (Net of Fees)

Period Ending: June 30, 2017

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Global Fixed</b>	<b>124,343,762</b>	<b>9.9</b>	<b>3.5</b>	<b>10.1</b>	<b>4.4</b>	<b>-2.6</b>	<b>0.3</b>	<b>--</b>	<b>5.1</b>	<b>-12.4</b>	<b>-2.8</b>	<b>-4.4</b>	<b>13.1</b>
<i>Citi World Govt Bond Index</i>			2.9	4.5	-4.1	-1.0	-0.2	--	1.6	-3.6	-0.5	-4.0	1.6
Brandywine Global Fixed Income	63,016,491	5.0	4.1	9.1	2.5	-1.4	1.5	--	1.7	-9.7	2.4	-2.3	13.1
<i>JPM GBI Global TR USD</i>			2.6	4.1	-4.4	-0.5	0.0	--	1.6	-2.6	0.7	-4.5	1.3
Stone Harbor Local Markets Ins	61,327,271	4.9	2.9	11.0	6.4	-3.9	--	--	9.0	-15.1	-8.6	--	--
<i>JPM GBI-EM Global Diversified TR USD</i>			3.6	10.4	6.4	-2.8	--	--	9.9	-14.9	-5.7	--	--
<b>Total Real Estate</b>	<b>170,282,318</b>	<b>13.5</b>	<b>1.9</b>	<b>4.2</b>	<b>7.9</b>	<b>10.8</b>	<b>10.9</b>	<b>--</b>	<b>6.8</b>	<b>16.9</b>	<b>9.6</b>	<b>12.1</b>	<b>9.2</b>
<i>NCREIF Property Index</i>			1.8	3.3	7.0	10.2	10.5	--	8.0	13.3	11.8	11.0	10.5
ARA American Strategic Value Realty	11,149,843	0.9	0.0	2.7	7.7	--	--	--	--	--	--	--	--
<i>NCREIF-ODCE</i>			1.7	3.5	7.9	--	--	--	--	--	--	--	--
<i>NCREIF Property Index</i>			1.8	3.3	7.0	--	--	--	--	--	--	--	--
Direct Real Estate	12,996,972	1.0	6.6	12.4	15.6	14.1	11.3	6.0	4.9	22.2	6.1	5.2	9.2
<i>NCREIF-ODCE</i>			1.7	3.5	7.9	11.3	11.8	5.2	8.8	15.0	12.5	13.9	10.9
<i>NCREIF Property Index</i>			1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5
JP Morgan Core Real Estate	145,917,353	11.6	1.3	3.0	6.9	9.7	11.0	--	7.3	14.1	10.0	14.8	11.0
<i>NCREIF-ODCE</i>			1.7	3.5	7.9	11.3	11.8	--	8.8	15.0	12.5	13.9	10.9
<i>NCREIF Property Index</i>			1.8	3.3	7.0	10.2	10.5	--	8.0	13.3	11.8	11.0	10.5
Fidelity Real Estate Growth III	218,151	0.0	-33.6	-34.1	-38.0	1.3	7.4	-10.8	-0.1	34.0	26.7	19.3	10.6
<i>NCREIF-ODCE</i>			1.7	3.5	7.9	11.3	11.8	5.2	8.8	15.0	12.5	13.9	10.9
<i>NCREIF Property Index</i>			1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5
<b>Total Commodities</b>	<b>35,080,077</b>	<b>2.8</b>	<b>-3.0</b>	<b>-3.9</b>	<b>-3.8</b>	<b>-14.6</b>	<b>-9.2</b>	<b>--</b>	<b>11.8</b>	<b>-25.8</b>	<b>-16.6</b>	<b>-9.5</b>	<b>-1.2</b>
<i>Bloomberg Commodity Index TR USD</i>			-3.0	-5.3	-6.5	-14.8	-9.2	--	11.8	-24.7	-17.0	-9.5	-1.1
Gresham MTAP Commodity Builder	35,080,077	2.8	-3.0	-3.9	-3.8	-14.6	--	--	11.8	-25.8	-16.6	--	--
<i>Bloomberg Commodity Index TR USD</i>			-3.0	-5.3	-6.5	-14.8	--	--	11.8	-24.7	-17.0	--	--
<b>Total Cash</b>	<b>21,261,680</b>	<b>1.7</b>	<b>0.4</b>	<b>0.6</b>	<b>0.8</b>	<b>0.6</b>	<b>0.4</b>	<b>0.9</b>	<b>0.5</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>
91 Day T-Bills			0.2	0.4	0.5	0.2	0.2	0.4	0.3	0.0	0.0	0.0	0.1
Cash Account	21,261,680	1.7	0.4	0.6	0.8	0.6	0.4	0.9	0.5	0.4	0.3	0.3	0.4
91 Day T-Bills			0.2	0.4	0.5	0.2	0.2	0.4	0.3	0.0	0.0	0.0	0.1

Research Affiliates converted to PIMCO RAE Fundamental Plus Instl on 6/5/15 (performance prior to this date represents previously held Research Affiliates Equity US Large, L.P.). ARA American funded 6/22/2016. Fidelity Real Estate Growth II liquidated 12/31/2015. Loomis Sayles Large Cap Growth funded 12/31/2016. Direct Real Estate is lagged one quarter. Boston Partners funded 1/31/2017. Vontobel liquidated 2/15/2017. WCM International funded 2/15/2017. PIMCO Core Plus liquidated 1/6/2017. As of 6/30/2017, PIMCO Core plus has \$49,268 residual cash. BlackRock Core and Dodge & Cox Income funded 1/19/2017. Pathway Private Equity Fund Investors 9 L.P. funded 4/7/2017.

# Investment Manager Performance Analysis - 3 & 5 Years (Net of Fees)

Period Ending: June 30, 2017

## 3 Years

	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
SSGA S&P 500 Flag.	9.64%	0.02%	6.95%	0.04%	1.00	0.04%	1.00	1.36	0.56	100.03%	99.22%
PIMCO RAE Fundamental PLUS Instl	6.50%	-3.11%	7.02%	-2.34%	0.92	2.91%	0.83	0.90	-1.07	74.06%	111.96%
Atlanta Capital Mgmt	12.12%	5.19%	8.36%	7.45%	0.67	5.75%	0.69	1.43	0.90	115.72%	45.31%
Dodge & Cox Intl Stock	0.64%	-0.97%	13.77%	-1.18%	1.13	5.77%	0.84	0.03	-0.17	92.04%	102.82%
SSGA TIPS	0.57%	-0.06%	3.81%	-0.06%	1.00	0.02%	1.00	0.10	-2.69	99.14%	101.36%
Brandywine Global Fixed Income	-1.38%	-0.92%	8.63%	-0.96%	0.92	5.09%	0.66	-0.18	-0.18	84.00%	101.96%
Stone Harbor Local Markets Ins	-3.94%	-1.13%	13.15%	-0.97%	1.06	1.81%	0.98	-0.32	-0.63	99.96%	108.48%
Direct Real Estate	14.12%	2.79%	8.40%	5.02%	0.80	8.31%	0.02	1.66	0.34	127.94%	--
JP Morgan Core Real Estate	9.69%	-1.65%	1.62%	-0.76%	0.92	0.72%	0.81	5.85	-2.30	84.09%	--
Fidelity Real Estate Growth III	1.33%	-10.01%	24.44%	-115.79%	10.33	23.41%	0.45	0.05	-0.43	10.66%	--
Gresham MTAP Commodity Builder	-14.62%	0.18%	15.69%	-0.21%	0.97	1.83%	0.99	-0.94	0.10	94.07%	98.23%

## 5 Years

	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
SSGA S&P 500 Flag.	14.64%	0.01%	7.68%	0.02%	1.00	0.04%	1.00	1.89	0.29	100.01%	99.44%
PIMCO RAE Fundamental PLUS Instl	13.82%	-0.81%	8.27%	-0.96%	1.01	2.86%	0.88	1.65	-0.28	91.32%	84.28%
Atlanta Capital Mgmt	16.04%	2.00%	8.90%	5.33%	0.76	5.14%	0.74	1.79	0.39	98.61%	45.31%
Dodge & Cox Intl Stock	10.23%	1.05%	12.59%	0.23%	1.09	4.89%	0.85	0.80	0.22	106.45%	94.51%
SSGA TIPS	0.20%	-0.06%	4.97%	-0.06%	1.00	0.02%	1.00	0.01	-2.80	98.98%	100.75%
Brandywine Global Fixed Income	1.53%	1.56%	7.46%	1.55%	0.88	4.67%	0.62	0.19	0.33	99.62%	73.39%
Direct Real Estate	11.30%	-0.49%	6.74%	8.83%	0.21	6.83%	0.00	1.65	-0.07	94.94%	--
JP Morgan Core Real Estate	11.04%	-0.75%	1.62%	-0.63%	0.99	0.87%	0.71	6.71	-0.86	92.29%	--
Fidelity Real Estate Growth III	7.41%	-4.37%	18.90%	-92.59%	8.49	18.07%	0.39	0.38	-0.24	57.64%	--

# Private Markets Non Marketable Securities Overview

Period Ending: June 30, 2017

Vintage	Manager & Fund Name	Estimated 6/30 Market Value <sup>3</sup>	Total Commitment	Capital Called	% Called	Remaining Commitment	Capital Returned	Market Value as of IRR date	Distrib./ Paid-In (DPI) <sup>1</sup>	Tot. Value/ Paid-In (TVPI) <sup>2</sup>	Net IRR Since Inception <sup>5</sup>	IRR Date
2011	HarbourVest Partners IX-Buyout Fund L.P.	\$12,385,369	\$20,000,000	\$12,650,000	63%	\$7,350,000	\$4,885,164	\$12,512,583	38.6%	136.5%	16.1%	3/31/17
2010	KKR Mezzanine Partners I L.P. <sup>6</sup>	\$8,111,233	\$20,000,000	\$20,000,000	100%	\$0	\$21,217,543	\$8,478,568	106.1%	146.6%	8.0%	3/31/17
2010	PIMCO Distressed Credit Fund <sup>4</sup>	\$1,190,980	\$20,000,000	\$20,000,000	100%	\$0	\$26,747,593	\$2,240,492	133.7%	139.7%	12.3%	3/31/17
2016	TPG Diversified Credit Program	\$17,809,701	\$75,000,000	\$18,490,213	21%	\$59,317,905	\$309,273	\$15,310,856	1.7%	98.0%	3.6%	3/31/17
2017	Pathway Private Equity Fund Investors 9 L.P.	\$1,036,941	\$65,000,000	\$1,582,893	2%	\$63,417,107	-	-	-	-	-	-
<b>Total Alternative Illiquids</b>		<b>\$40,534,224</b>	\$200,000,000	\$72,723,106	36%	\$130,085,012	\$53,159,573	\$38,542,499	53.0%	126.1%		
<b>% of Portfolio (Market Value)</b>		<b>3.2%</b>										

	Management Fee	Admin Fee	Interest Expense	Other Expense	Total Expense <sup>7</sup>
HarbourVest Partners IX-Buyout Fund L.P.	\$49,775	\$0	\$0	\$3,658	\$53,433
KKR Mezzanine Partners I L.P.	\$30,313	\$0	\$0	\$0	\$30,313
PIMCO Distressed Credit Fund <sup>4</sup>	\$11,265	\$2,253	\$0	\$1,108	\$14,626
TPG Diversified Credit Program	\$74,766	\$0	\$0	\$10,732	\$85,498
Pathway Private Equity Fund Investors 9 L.P.	-	-	-	-	-
	\$166,119	\$2,253	\$0	\$15,498	<b>\$183,870</b>

<sup>1</sup>(DPI) is equal to (capital returned / capital called)

<sup>2</sup>(TVPI) is equal to (market value + capital returned) / capital called

<sup>3</sup>Last known market value + capital calls - distributions (market values as of 3/31/2017)

<sup>4</sup>Investment period ended, no further capital to be called.

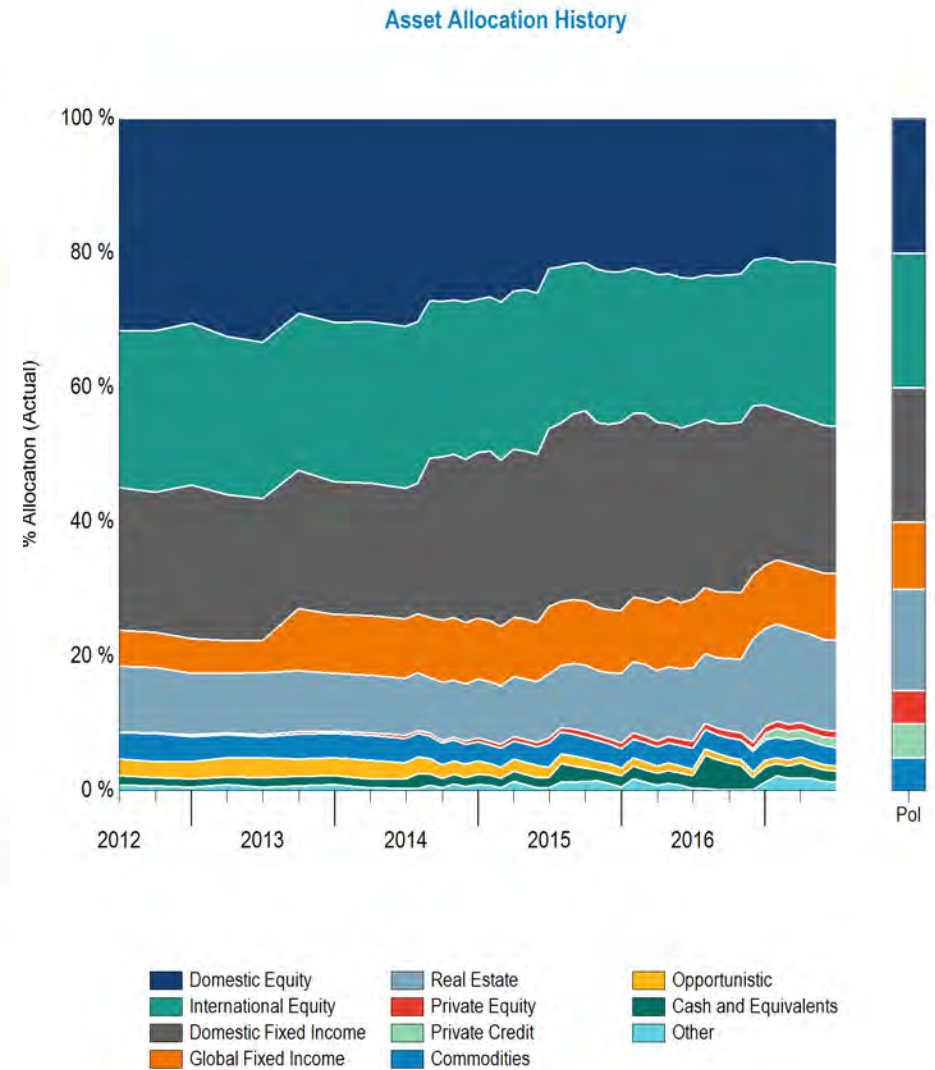
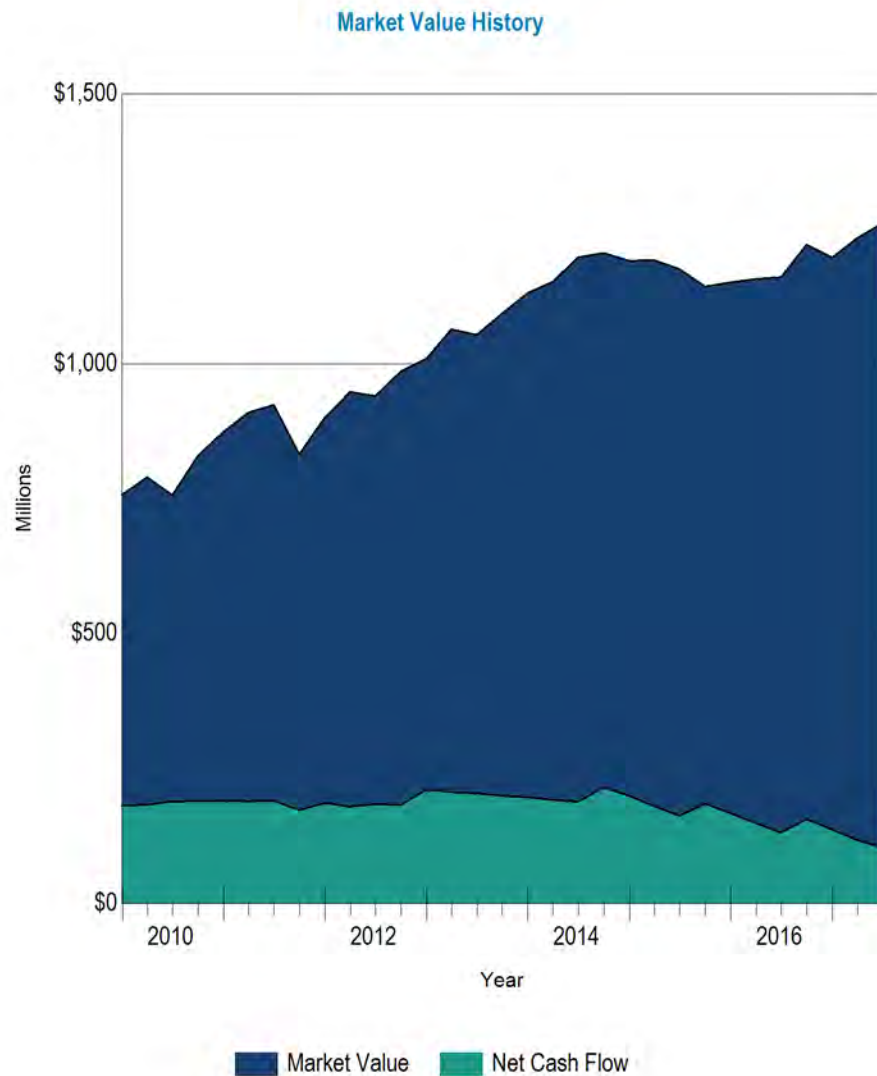
<sup>5</sup>Net IRR is calculated on the cash flows of the underlying investments of the fund and is net of the underlying fund fees and carried interest

<sup>6</sup>KKR: As of 1Q2017, total capital called is \$23,437,136, which includes recycled distributions. Unused capital commitment is \$2,109,437 after including distribution proceeds available for reinvestment

<sup>7</sup>All fees and expenses are for 1Q 2017

# Total Fund Asset Allocation History

Period Ending: June 30, 2017



\*Other balance represents Clifton Group



# Total Fund Asset Allocation vs. Policy

Period Ending: June 30, 2017



# Total Fund Investment Fund Fee Analysis

Period Ending: June 30, 2017

Account	Fee Schedule	Market Value As of 6/30/2017	% of Portfolio	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
ARA American Strategic Value Realty	1.25% of First \$10.0 Mil, 1.20% of Next \$15.0 Mil, 1.10% of Next \$25.0 Mil, 1.00% Thereafter	\$11,149,843	0.9%	\$138,798	1.24%
Atlanta Capital Mgmt	0.80% of First \$50.0 Mil, 0.70% of Next \$100.0 Mil, 0.60% Thereafter	\$54,799,848	4.3%	\$433,599	0.79%
BlackRock Core Bond	0.28% of First \$100.0 Mil, 0.26% Thereafter	\$94,226,103	7.5%	\$263,833	0.28%
Boston Partners Large Cap Value	0.40% of Assets	\$74,130,447	5.9%	\$296,522	0.40%
Brandywine Global Fixed Income	0.45% of First \$50.0 Mil, 0.40% of Next \$50.0 Mil, 0.35% Thereafter	\$63,016,491	5.0%	\$277,066	0.44%
Cash Account	No Fee	\$21,261,680	1.7%	--	--
Direct Real Estate	No Fee	\$12,996,972	1.0%	--	--
Dodge & Cox Income Fund	0.43% of Assets	\$95,738,386	7.6%	\$411,675	0.43%
Dodge & Cox Intl Stock	0.64% of Assets	\$158,875,545	12.6%	\$1,016,803	0.64%
Fidelity Real Estate Growth III	1.40% of Assets	\$218,151	0.0%	\$3,054	1.40%
Gresham MTAP Commodity Builder	0.75% of First \$50.0 Mil, 0.50% Thereafter	\$35,080,077	2.8%	\$263,101	0.75%
Harbourvest Partners IX Buyout Fund L.P.	\$200,000 Annually	\$12,385,369	1.0%	\$200,000	1.61%
JP Morgan Core Real Estate	1.00% of Assets	\$145,917,353	11.6%	\$1,459,174	1.00%
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	\$300,000 Annually	\$8,111,233	0.6%	\$300,000	3.70%
Loomis Sayles Large Cap Growth	0.45% of First \$100.0 Mil, 0.40% Thereafter	\$82,698,916	6.6%	\$372,145	0.45%
Pacific Asset Corporate Loan	0.37% of Assets	\$67,059,382	5.3%	\$248,120	0.37%
Pathway Private Equity Fund Investors 9 L.P.	Please see footnote	\$1,036,941	0.1%	--	--
PIMCO Distressed Credit Fund	\$150,000 Annually	\$1,190,980	0.1%	\$150,000	12.59%
PIMCO RAE Fundamental PLUS Instl	0.40% of Assets	\$52,094,360	4.1%	\$208,377	0.40%
SSGA S&P 500 Flag.	0.04% of First \$100.0 Mil, 0.03% Thereafter	\$11,202,478	0.9%	\$4,481	0.04%
SSGA TIPS	0.05% of First \$100.0 Mil, 0.04% Thereafter	\$18,891,829	1.5%	\$10,202	0.05%
Stone Harbor Local Markets Ins	0.88% of Assets	\$61,327,271	4.9%	\$539,680	0.88%
The Clifton Group	\$50,000 Annually	\$15,593,381	1.2%	\$50,000	0.32%
TPG Diversified Credit Program	Please see footnote	\$17,809,701	1.4%	--	--
WCM International Growth	0.70% of Assets	\$143,353,586	11.4%	\$1,003,475	0.70%
<b>Investment Management Fee</b>		<b>\$1,260,166,322</b>	<b>100.0%</b>	<b>\$7,650,105</b>	<b>0.61%</b>

\*HarbourVest, KKR and PIMCO Distressed Credit fees are estimated gross management fees only and do not include incentive allocations or offsetting cash flows received by the fund. Pathway fee steps up and down over time, with an effective average of 0.71% up to \$25m, 0.67% up to \$50m, 0.63% up to \$75m, and 0.40% above \$75m.

\*Clifton Group fee schedule represents contractual minimum fee. Actual fee charged is \$1,500 per month through at least 6/30/2015.

\*TPG: No management fee at SMA level. Subject to the annual fees of each of the underlying TSSP funds. (1) TAO 65bps on unfunded commitments and 1.35% on remaining capital contributions (long-term designation) (2) TSLE 1.5% on commitments, 1.25% on remaining capital contributions post commitment period (3) TIGP 30bps on remaining capital contributions.

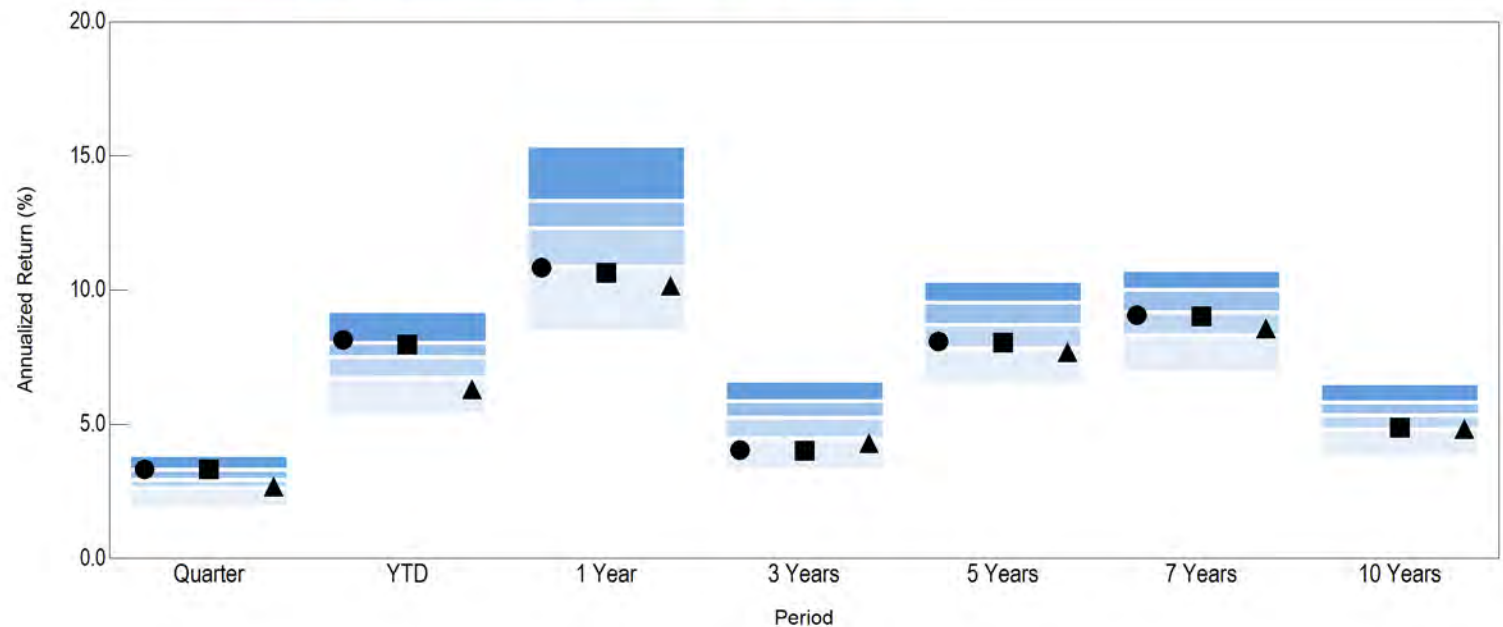


# Total Fund

## Peer Universe Comparison: Cumulative Performance (Gross of Fees)

Period Ending: June 30, 2017

Total Fund Cumulative Performance vs. InvestorForce Public DB Gross

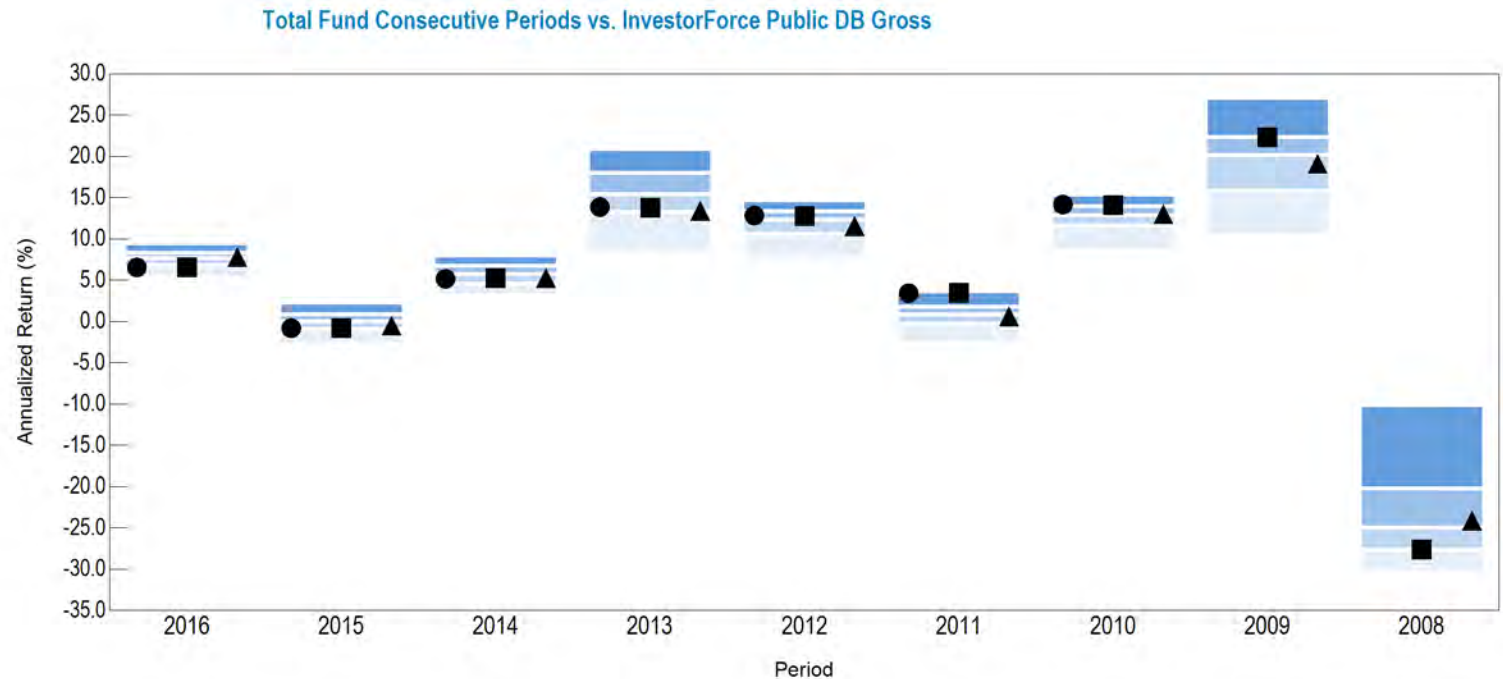


	Return (Rank)											
5th Percentile	3.8		9.2		15.4		6.6		10.3		10.7	
25th Percentile	3.3		8.1		13.3		5.9		9.5		10.0	
Median	2.9		7.5		12.3		5.3		8.7		9.2	
75th Percentile	2.6		6.8		10.9		4.5		7.9		8.3	
95th Percentile	1.9		5.4		8.5		3.3		6.5		7.0	
# of Portfolios	330		329		326		296		274		245	
● Total Fund	3.3	(25)	8.1	(23)	10.8	(76)	4.0	(86)	8.1	(70)	9.1	(54)
■ Total Fund ex Clifton	3.3	(26)	8.0	(29)	10.7	(80)	4.0	(87)	8.0	(70)	9.0	(55)
▲ Policy Index	2.7	(69)	6.3	(86)	10.2	(86)	4.3	(81)	7.7	(81)	8.6	(67)

# Total Fund

## Peer Universe Comparison: Consecutive Periods (Gross of Fees)

Period Ending: June 30, 2017

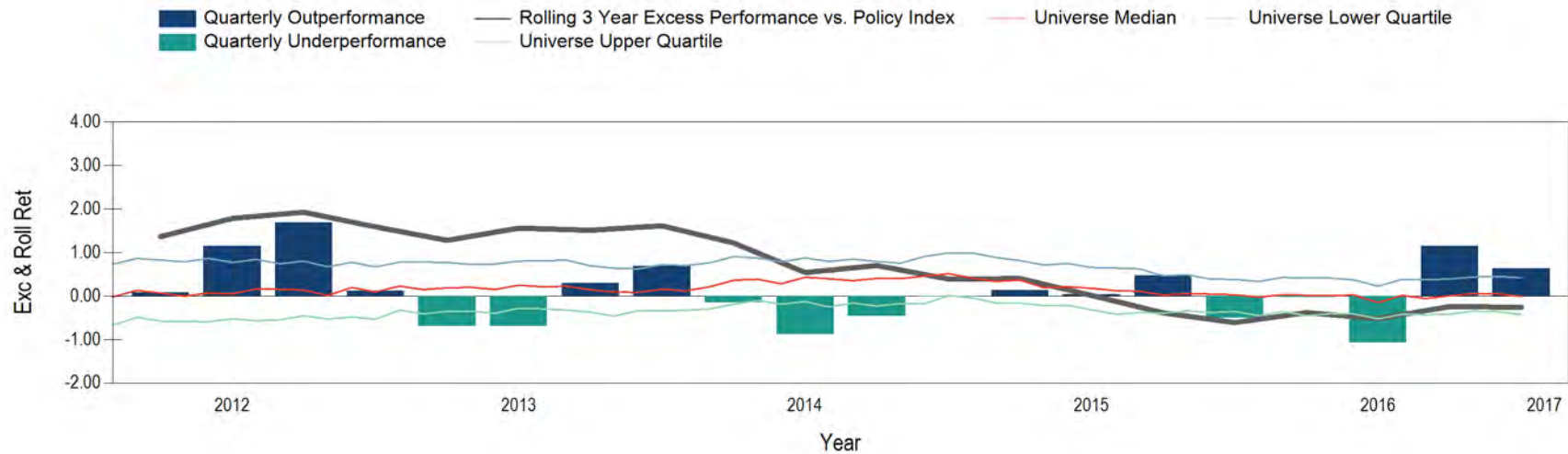


	Return (Rank)											
5th Percentile	9.4	2.2	8.0	20.8	14.6	3.6	15.4	27.0	-10.1			
25th Percentile	8.4	0.9	6.8	18.0	13.4	1.9	14.0	22.4	-20.1			
Median	7.7	0.1	5.8	15.5	12.4	0.9	12.9	20.2	-24.9			
75th Percentile	6.9	-0.9	4.6	13.3	10.7	-0.3	11.7	15.9	-27.6			
95th Percentile	5.3	-2.6	3.2	8.5	7.8	-2.5	8.6	10.5	-30.3			
# of Portfolios	305	316	248	231	236	206	188	184	181			
● Total Fund	6.6 (84)	-0.8 (74)	5.1 (66)	13.8 (71)	12.8 (40)	3.4 (6)	14.2 (21)	-- (--)	-- (--)			
■ Total Fund ex Clifton	6.6 (83)	-0.8 (75)	5.2 (64)	13.8 (72)	12.7 (43)	3.5 (6)	14.1 (24)	22.3 (27)	-27.6 (76)			
▲ Policy Index	7.8 (49)	-0.5 (67)	5.2 (64)	13.4 (74)	11.6 (69)	0.6 (60)	13.0 (48)	19.1 (57)	-24.1 (44)			

Total Fund  
Rolling Return Analysis (Gross of Fees)

Period Ending: June 30, 2017

Rolling 3 Year Annualized Excess Performance



Rolling 5 Year Annualized Excess Performance



# Total Domestic Equity Asset Class Overview (Gross of Fees)

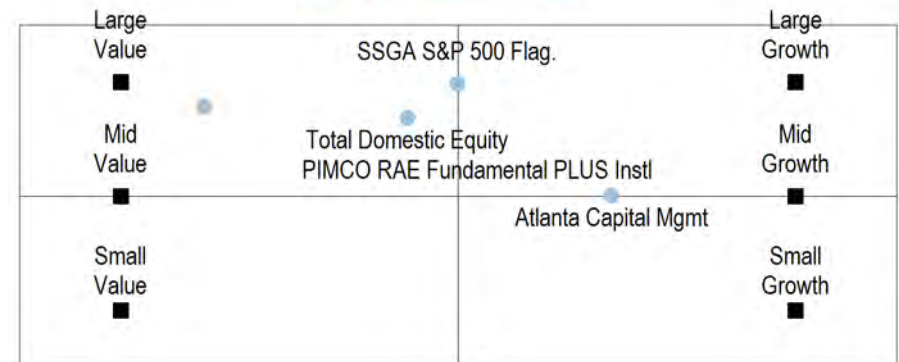
Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Domestic Equity</b>	<b>274,926,049</b>	<b>4.6</b>	<b>10.9</b>	<b>19.3</b>	<b>9.3</b>	<b>14.7</b>	<b>8.3</b>	<b>13.0</b>	<b>1.2</b>	<b>11.0</b>	<b>32.2</b>	<b>12.8</b>
Russell 3000		3.0	8.9	18.5	9.1	14.6	7.3	12.7	0.5	12.6	33.6	16.4
InvestorForce Public DB US Eq Gross Rank		2	6	35	25	24	3	48	18	60	91	98
SSGA S&P 500 Flag.	11,202,478	3.1	9.3	18.0	9.7	14.7	--	12.0	1.5	13.7	32.4	16.1
S&P 500		3.1	9.3	17.9	9.6	14.6	--	12.0	1.4	13.7	32.4	16.0
eA US Large Cap Core Equity Gross Rank		47	44	46	28	38	--	31	40	42	58	39
PIMCO RAE Fundamental PLUS Instl	52,094,360	0.7	4.3	13.8	7.0	14.2	7.0	15.9	-2.7	12.7	36.0	16.8
S&P 500		3.1	9.3	17.9	9.6	14.6	7.2	12.0	1.4	13.7	32.4	16.0
eA US Large Cap Core Equity Gross Rank		97	98	84	85	54	74	6	86	58	22	29
Loomis Sayles Large Cap Growth	82,698,916	8.6	18.3	--	--	--	--	--	--	--	--	--
Russell 1000 Growth		4.7	14.0	--	--	--	--	--	--	--	--	--
eA US Large Cap Growth Equity Gross Rank		5	13	--	--	--	--	--	--	--	--	--
Boston Partners Large Cap Value	74,130,447	2.7	--	--	--	--	--	--	--	--	--	--
Russell 1000 Value		1.3	--	--	--	--	--	--	--	--	--	--
eA US Large Cap Value Equity Gross Rank		27	--	--	--	--	--	--	--	--	--	--
Atlanta Capital Mgmt	54,799,848	5.4	11.2	16.3	13.0	16.9	--	12.6	10.4	5.8	37.8	15.5
Russell 2500		2.1	6.0	19.8	6.9	14.0	--	17.6	-2.9	7.1	36.8	17.9
eA US Small-Mid Cap Equity Gross Rank		13	20	85	3	10	--	62	1	56	52	55

U.S. Effective Style Map  
3 Years Ending June 30, 2017



U.S. Effective Style Map  
5 Years Ending June 30, 2017



Total Domestic Equity  
Asset Class Overview (Net of Fees)

Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Domestic Equity</b>	<b>274,926,049</b>	<b>4.4</b>	<b>10.7</b>	<b>18.9</b>	<b>8.9</b>	<b>14.3</b>	<b>--</b>	<b>12.7</b>	<b>0.8</b>	<b>10.5</b>	<b>31.6</b>	<b>12.3</b>
<i>Russell 3000</i>		3.0	8.9	18.5	9.1	14.6	--	12.7	0.5	12.6	33.6	16.4
SSGA S&P 500 Flag.	11,202,478	3.1	9.3	17.9	9.6	14.6	--	12.0	1.4	13.7	32.4	15.9
<i>S&amp;P 500</i>		3.1	9.3	17.9	9.6	14.6	--	12.0	1.4	13.7	32.4	16.0
PIMCO RAE Fundamental PLUS Instl	52,094,360	0.6	4.1	13.3	6.5	13.8	6.7	15.4	-3.2	12.3	35.6	16.7
<i>S&amp;P 500</i>		3.1	9.3	17.9	9.6	14.6	7.2	12.0	1.4	13.7	32.4	16.0
Loomis Sayles Large Cap Growth	82,698,916	8.5	18.0	--	--	--	--	--	--	--	--	--
<i>Russell 1000 Growth</i>		4.7	14.0	--	--	--	--	--	--	--	--	--
Boston Partners Large Cap Value	74,130,447	2.6	--	--	--	--	--	--	--	--	--	--
<i>Russell 1000 Value</i>		1.3	--	--	--	--	--	--	--	--	--	--
Atlanta Capital Mgmt	54,799,848	5.2	10.8	15.4	12.1	16.0	--	11.7	9.6	5.0	37.0	14.7
<i>Russell 2500</i>		2.1	6.0	19.8	6.9	14.0	--	17.6	-2.9	7.1	36.8	17.9

Total Domestic Equity  
Asset Class Overview (Net of Fees)

Period Ending: June 30, 2017

Common Holdings Matrix  
As of June 30, 2017

	SSGA S&P 500 Flag.		Atlanta Capital Mgmt	
	#	%	#	%
SSGA S&P 500 Flag.	--	--	10	22.21
Atlanta Capital Mgmt	10	0.49	--	--

Correlation Matrix  
Last 5 Years

	Total Domestic Equity	SSGA S&P 500 Flag.	PIMCO RAE Fundamental PLUS Instl	Loomis Sayles Large Cap Growth	Boston Partners Large Cap Value	Atlanta Capital Mgmt	Russell 3000
Total Domestic Equity	1.00	--	--	--	--	--	--
SSGA S&P 500 Flag.	0.94	1.00	--	--	--	--	--
PIMCO RAE Fundamental PLUS Instl	0.92	0.94	1.00	--	--	--	--
Loomis Sayles Large Cap Growth	--	--	--	--	--	--	--
Boston Partners Large Cap Value	--	--	--	--	--	--	--
Atlanta Capital Mgmt	0.87	0.81	0.79	--	--	1.00	--
Russell 3000	0.95	0.99	0.95	--	--	0.85	1.00



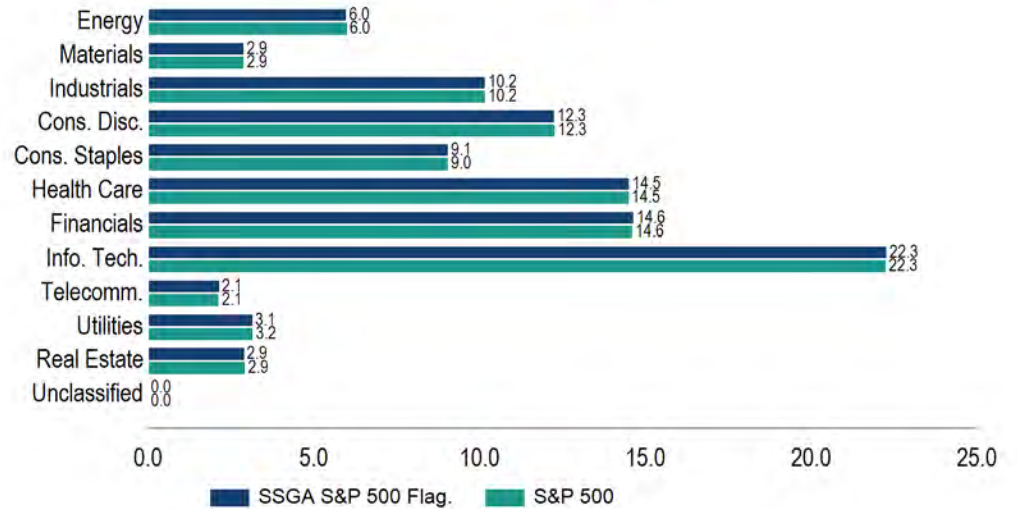
# SSGA S&P 500 Flag. Manager Portfolio Overview

Period Ending: June 30, 2017

## Characteristics

	Portfolio	S&P 500
Number of Holdings	505	505
Weighted Avg. Market Cap. (\$B)	154.94	154.74
Median Market Cap. (\$B)	20.58	20.58
Price To Earnings	25.13	24.69
Price To Book	5.36	4.59
Price To Sales	3.62	3.35
Return on Equity (%)	20.29	18.97
Yield (%)	2.01	2.00
Beta	1.00	1.00

## Sector Allocation (%) vs S&P 500



\*Unclassified includes Cash

## Top Holdings Ending Period Weight

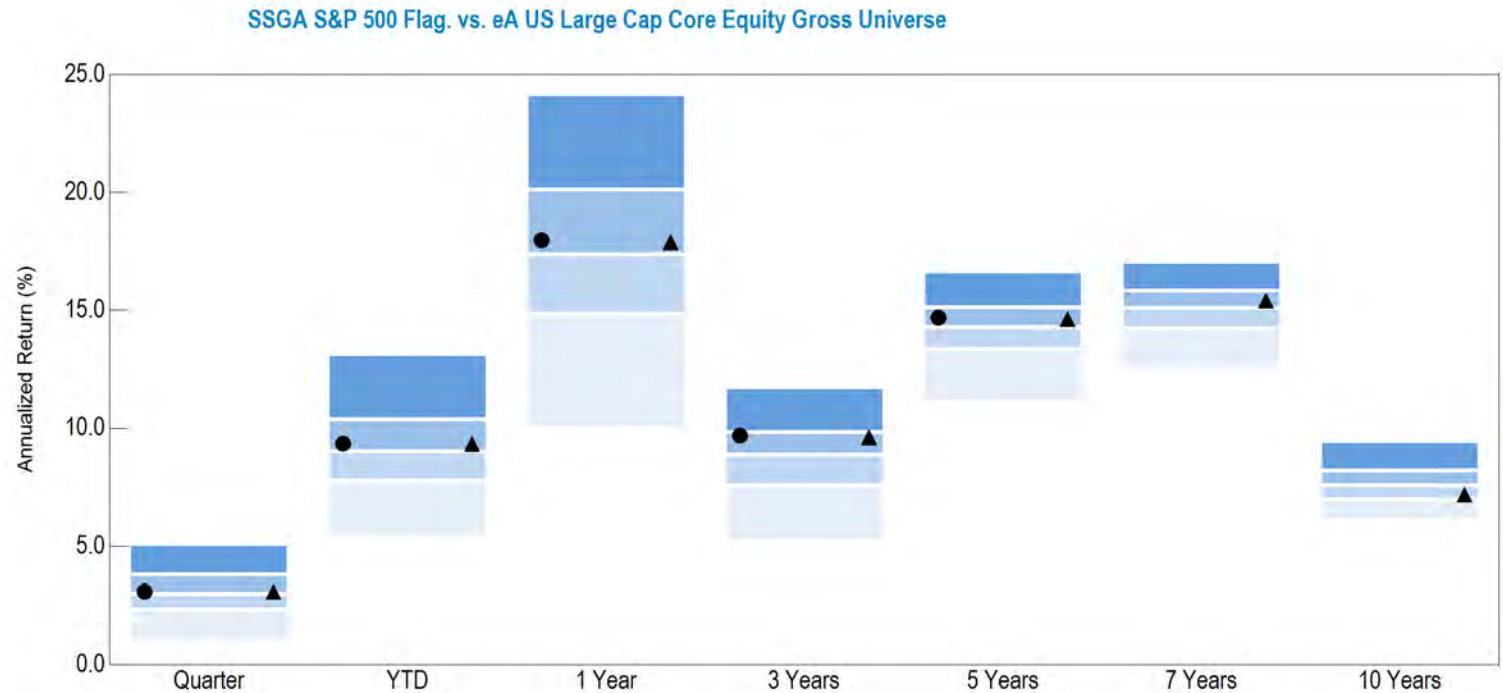
APPLE	3.62%
MICROSOFT	2.56%
AMAZON.COM	1.86%
JOHNSON & JOHNSON	1.72%
FACEBOOK CLASS A	1.71%
EXXON MOBIL	1.65%
JP MORGAN CHASE & CO.	1.57%
BERKSHIRE HATHAWAY 'B'	1.55%
ALPHABET 'A'	1.34%
ALPHABET 'C'	1.30%
<b>Total</b>	<b>18.87%</b>

## Top Contributors

	Avg Wgt	Return	Contribution
AMAZON.COM	1.73	9.19	0.16
MICROSOFT	2.51	5.25	0.13
ALPHABET 'A'	1.24	9.66	0.12
JOHNSON & JOHNSON	1.67	6.91	0.12
ALPHABET 'C'	1.21	9.54	0.12
UNITEDHEALTH GROUP	0.78	13.52	0.11
NVIDIA	0.32	32.85	0.10
FACEBOOK CLASS A	1.65	6.29	0.10
CITIGROUP	0.82	12.10	0.10
MCDONALDS	0.52	18.90	0.10

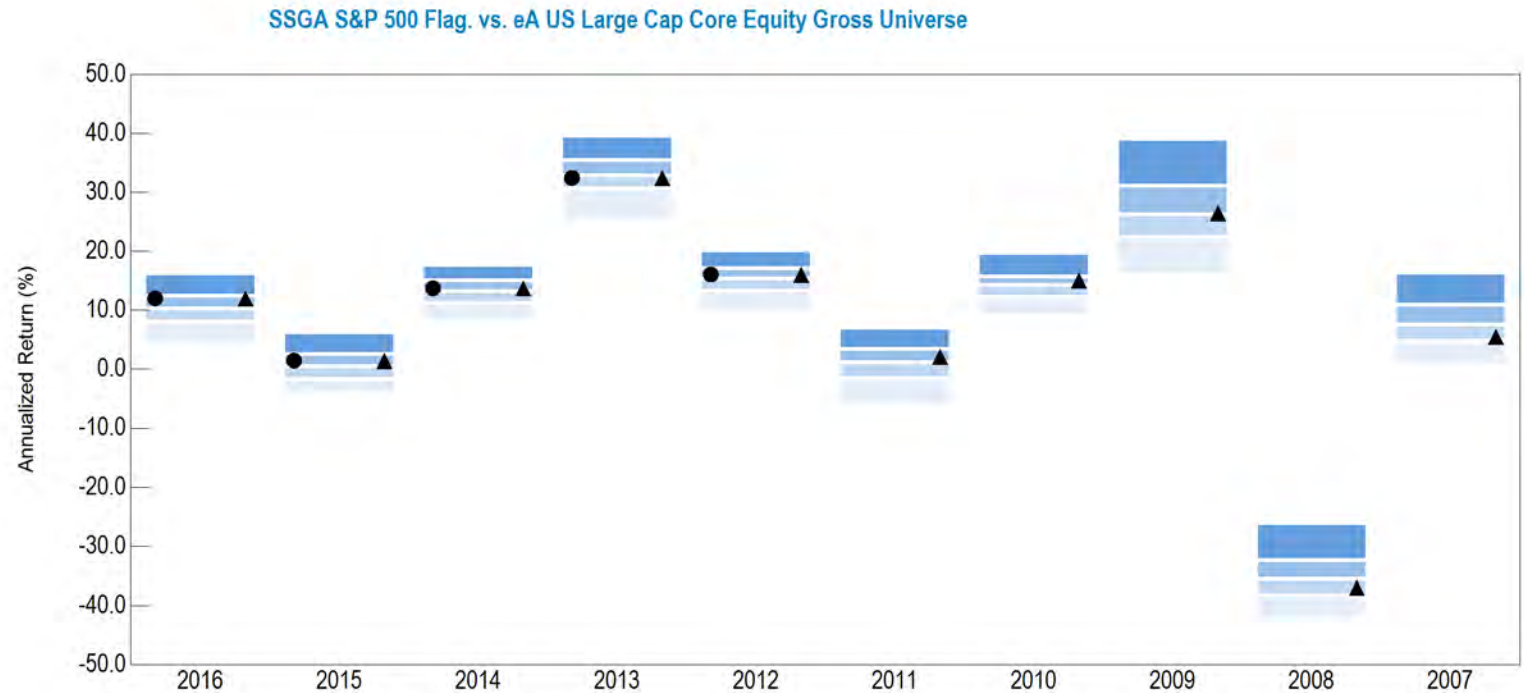
## Bottom Contributors

	Avg Wgt	Return	Contribution
GENERAL ELECTRIC	1.29	-8.61	-0.11
AT&T	1.26	-8.10	-0.10
SCHLUMBERGER	0.54	-15.08	-0.08
INTERNATIONAL BUS.MCHS.	0.74	-10.80	-0.08
VERIZON COMMUNICATIONS	0.98	-7.30	-0.07
CISCO SYSTEMS	0.84	-6.59	-0.06
WALT DISNEY	0.81	-6.30	-0.05
INTEL	0.85	-5.77	-0.05
ANADARKO PETROLEUM	0.17	-26.80	-0.05
CONOCOPHILLIPS	0.30	-11.36	-0.03



	Return (Rank)											
5th Percentile	5.1		13.1		24.2		11.7		16.6		17.0	
25th Percentile	3.8		10.4		20.1		9.9		15.2		15.8	
Median	3.0		9.0		17.4		8.9		14.3		15.1	
75th Percentile	2.4		7.8		14.9		7.6		13.4		14.3	
95th Percentile	1.0		5.4		10.0		5.2		11.1		12.5	
# of Portfolios	324		324		324		313		283		259	
● SSGA S&P 500 Flag.	3.1	(47)	9.3	(44)	18.0	(46)	9.7	(28)	14.7	(38)	--	(--)
▲ S&P 500	3.1	(47)	9.3	(44)	17.9	(47)	9.6	(29)	14.6	(41)	15.4	(42)
											7.2	(67)



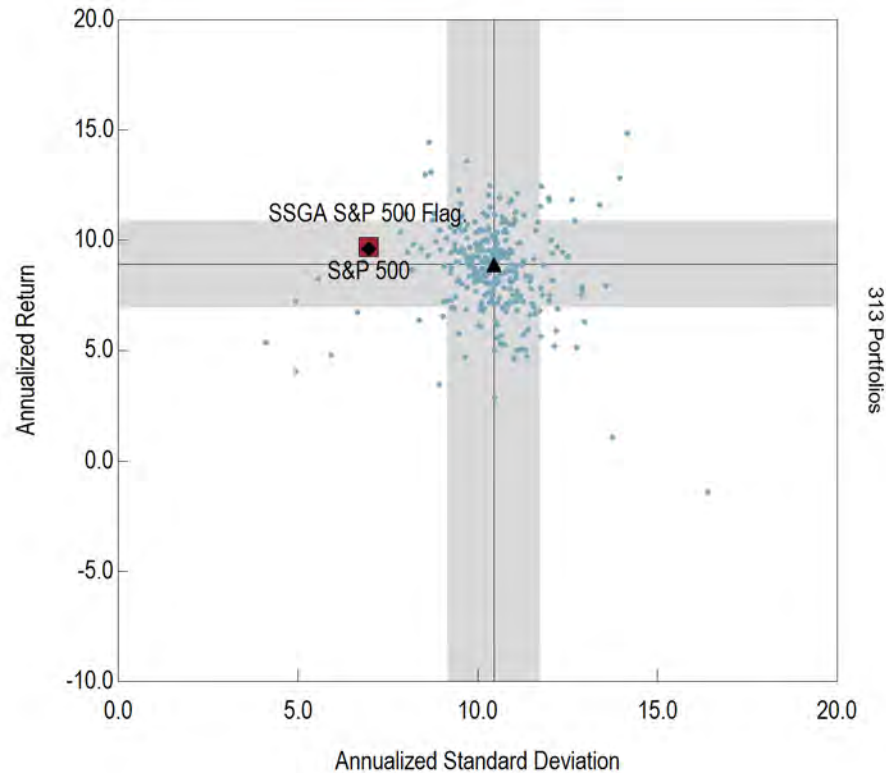


	Return (Rank)									
5th Percentile	16.3	6.3	17.7	39.6	20.1	7.0	19.7	39.1	-26.1	16.3
25th Percentile	12.5	2.7	15.1	35.5	17.2	3.6	15.8	31.2	-32.3	11.1
Median	10.4	0.6	13.3	32.9	15.4	1.3	14.4	26.3	-35.4	7.7
75th Percentile	8.2	-1.6	11.4	30.8	13.4	-1.5	12.3	22.6	-38.1	4.9
95th Percentile	4.3	-4.1	8.2	25.4	9.8	-5.9	9.1	16.1	-42.3	0.7
# of Portfolios	308	267	267	261	254	259	254	280	312	320
● SSGA S&P 500 Flag.	12.0 (31)	1.5 (40)	13.7 (42)	32.4 (58)	16.1 (39)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
▲ S&P 500	12.0 (31)	1.4 (42)	13.7 (42)	32.4 (58)	16.0 (41)	2.1 (40)	15.1 (37)	26.5 (48)	-37.0 (62)	5.5 (71)

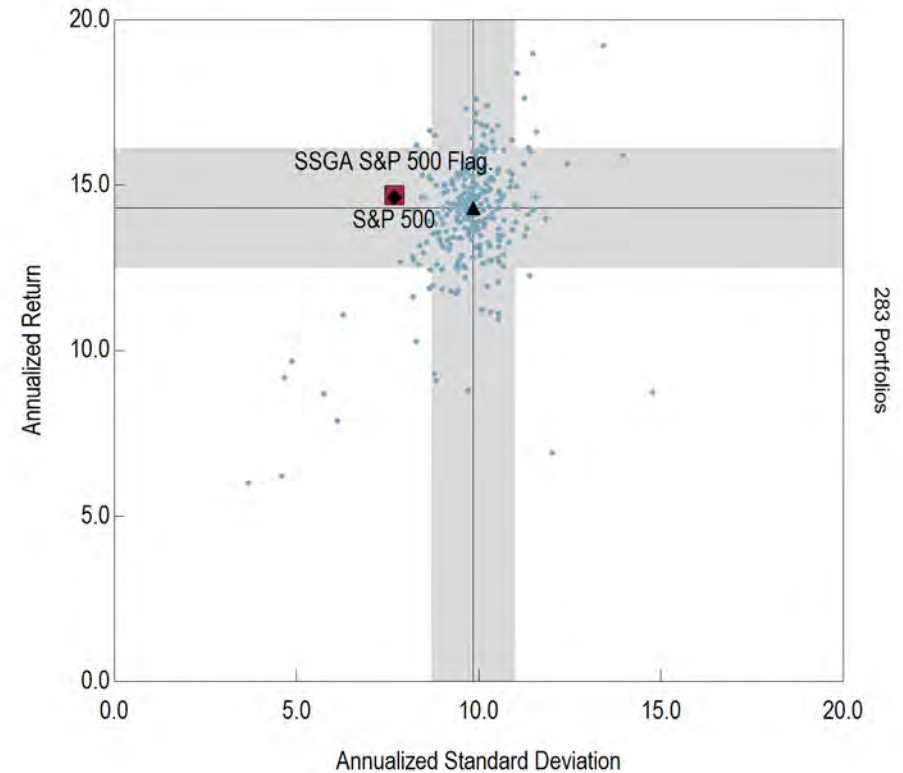
SSGA S&P 500 Flag.  
Risk vs Return Three & Five Year (Gross of Fees)

Period Ending: June 30, 2017

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending June 30, 2017

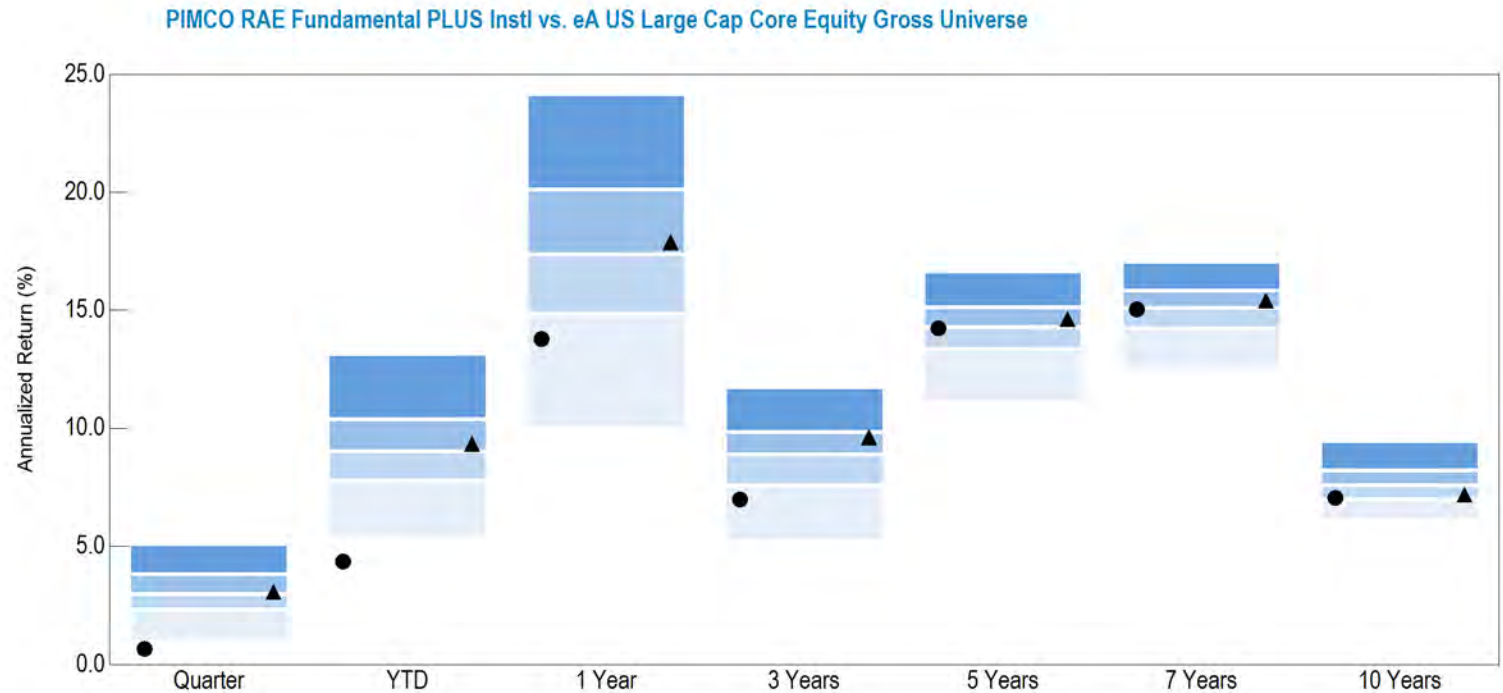


Annualized Return vs. Annualized Standard Deviation  
5 Years Ending June 30, 2017



PIMCO RAE Fundamental PLUS Instl  
Cumulative Performance Comparison (Gross of Fees)

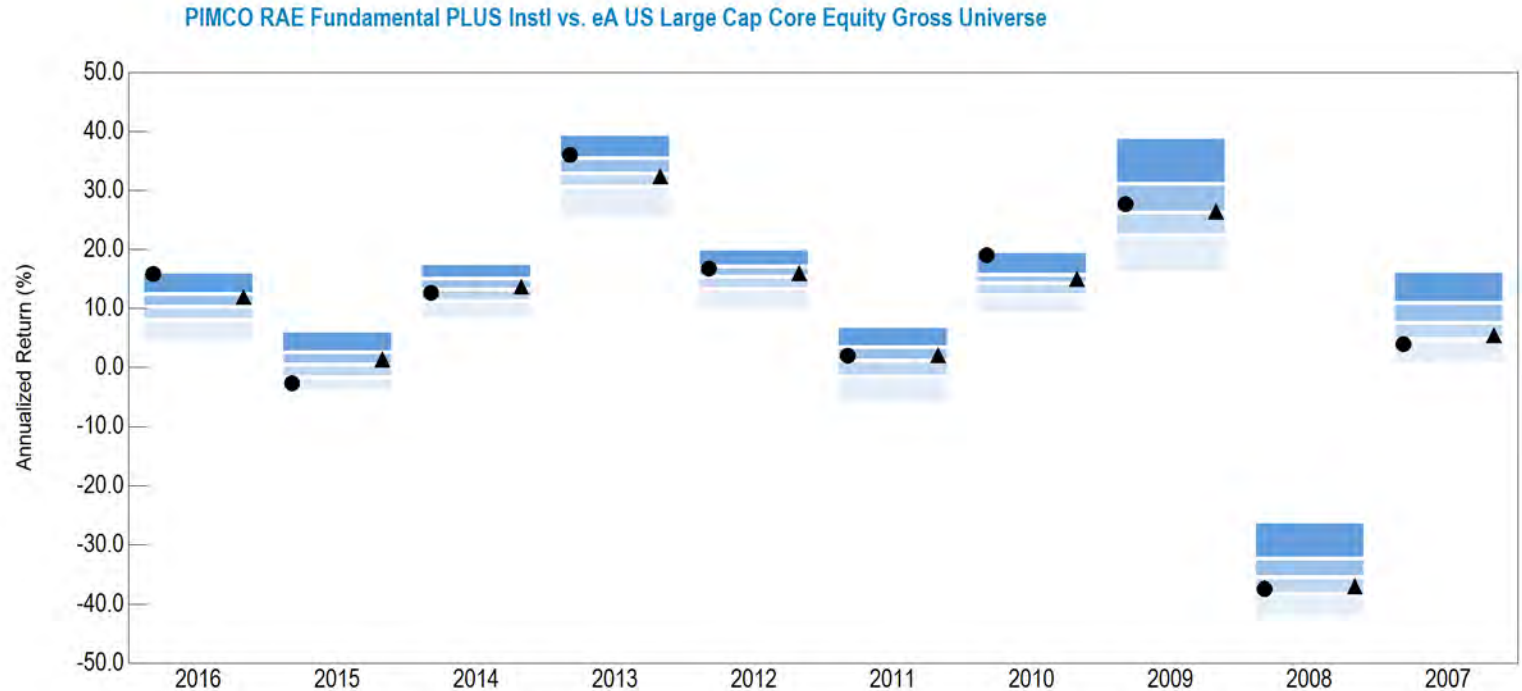
Period Ending: June 30, 2017



	Return (Rank)													
5th Percentile	5.1		13.1		24.2		11.7		16.6		17.0		9.5	
25th Percentile	3.8		10.4		20.1		9.9		15.2		15.8		8.2	
Median	3.0		9.0		17.4		8.9		14.3		15.1		7.6	
75th Percentile	2.4		7.8		14.9		7.6		13.4		14.3		7.0	
95th Percentile	1.0		5.4		10.0		5.2		11.1		12.5		6.1	
# of Portfolios	324		324		324		313		283		259		232	
● PIMCO RAE Fundamental PLUS Instl	0.7	(97)	4.3	(98)	13.8	(84)	7.0	(85)	14.2	(54)	15.0	(53)	7.0	(74)
▲ S&P 500	3.1	(47)	9.3	(44)	17.9	(47)	9.6	(29)	14.6	(41)	15.4	(42)	7.2	(67)

PIMCO RAE Fundamental PLUS Instl  
Consecutive Performance Comparison (Gross of Fees)

Period Ending: June 30, 2017

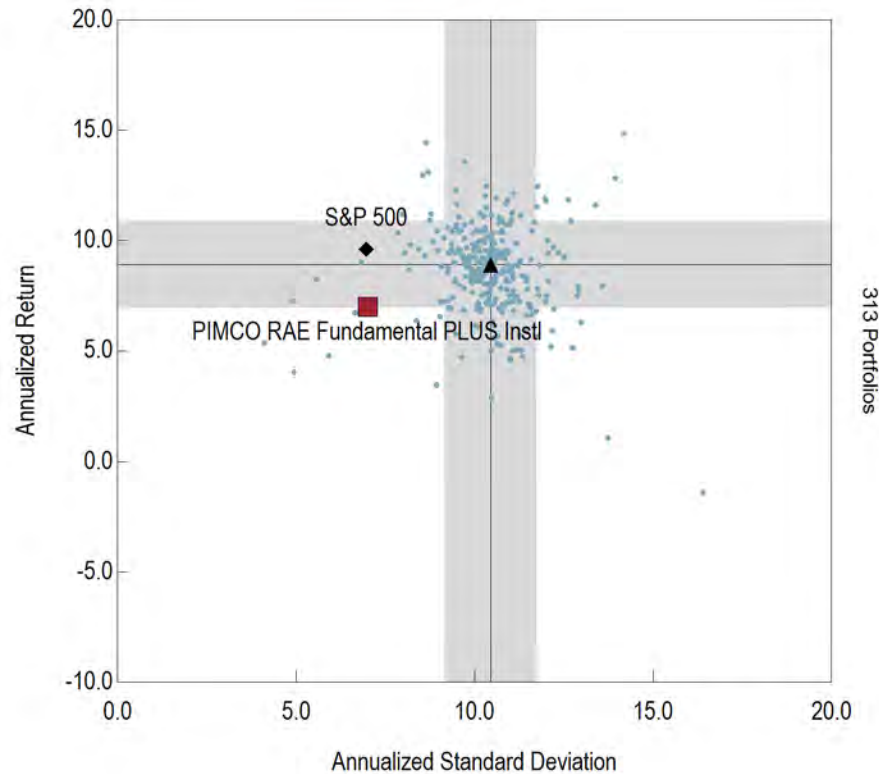


	Return (Rank)									
5th Percentile	16.3	6.3	17.7	39.6	20.1	7.0	19.7	39.1	-26.1	16.3
25th Percentile	12.5	2.7	15.1	35.5	17.2	3.6	15.8	31.2	-32.3	11.1
Median	10.4	0.6	13.3	32.9	15.4	1.3	14.4	26.3	-35.4	7.7
75th Percentile	8.2	-1.6	11.4	30.8	13.4	-1.5	12.3	22.6	-38.1	4.9
95th Percentile	4.3	-4.1	8.2	25.4	9.8	-5.9	9.1	16.1	-42.3	0.7
# of Portfolios	308	267	267	261	254	259	254	280	312	320
● PIMCO RAE Fundamental PLUS Instl	15.9 (6)	-2.7 (86)	12.7 (58)	36.0 (22)	16.8 (29)	2.0 (41)	19.0 (7)	27.7 (42)	-37.4 (68)	4.0 (80)
▲ S&P 500	12.0 (31)	1.4 (42)	13.7 (42)	32.4 (58)	16.0 (41)	2.1 (40)	15.1 (37)	26.5 (48)	-37.0 (62)	5.5 (71)

PIMCO RAE Fundamental PLUS Instl  
Risk vs Return Three & Five Year (Gross of Fees)

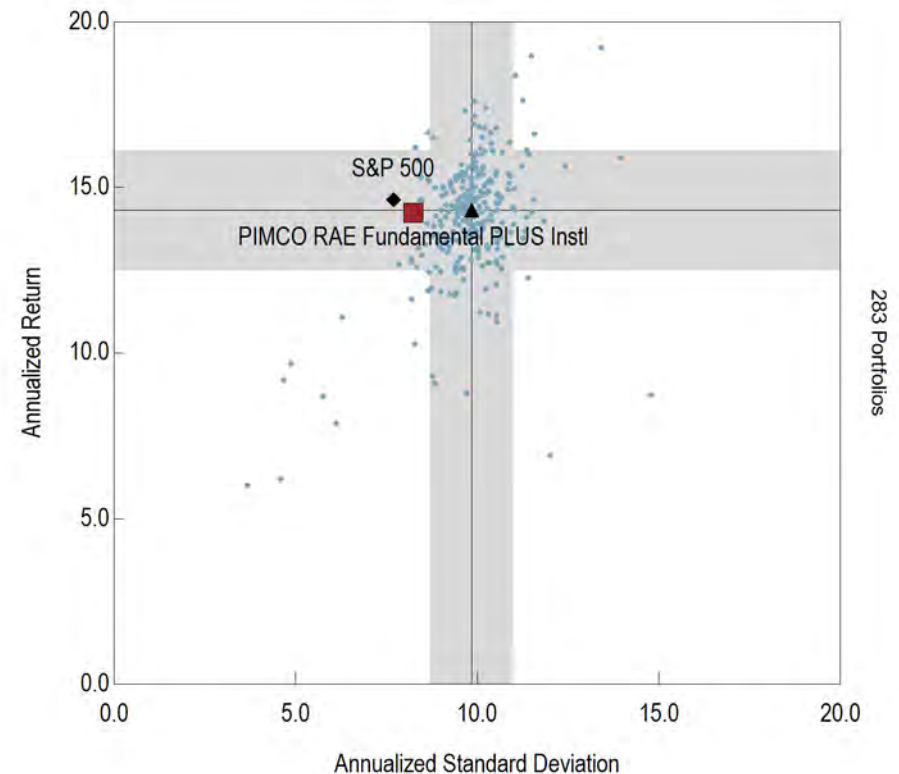
Period Ending: June 30, 2017

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending June 30, 2017



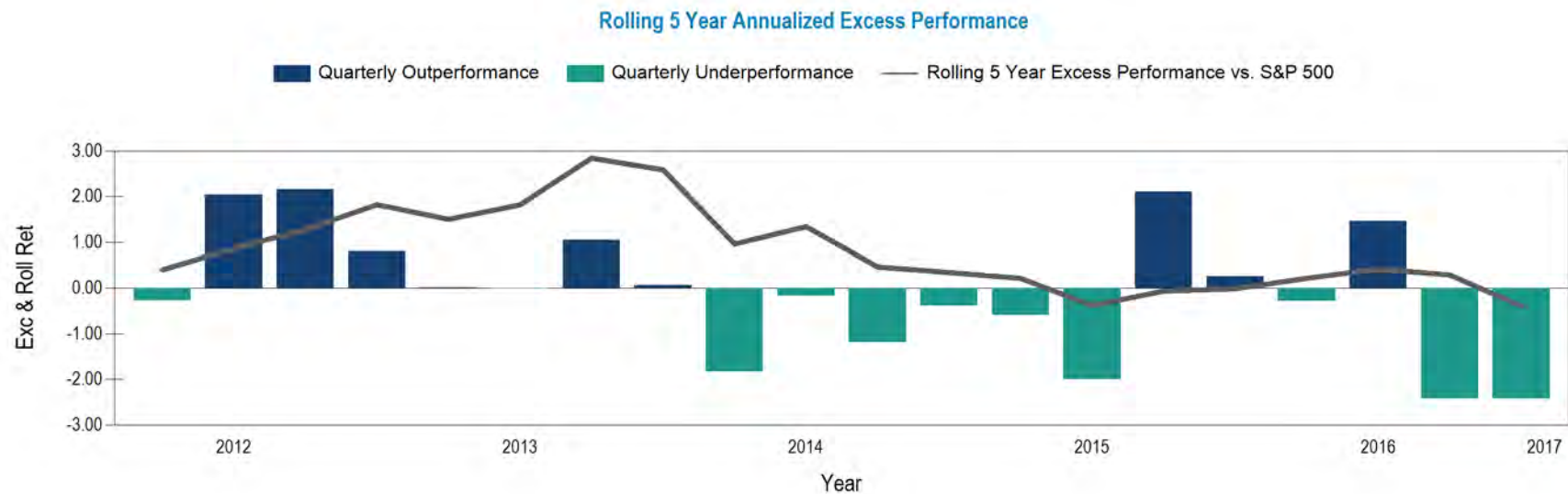
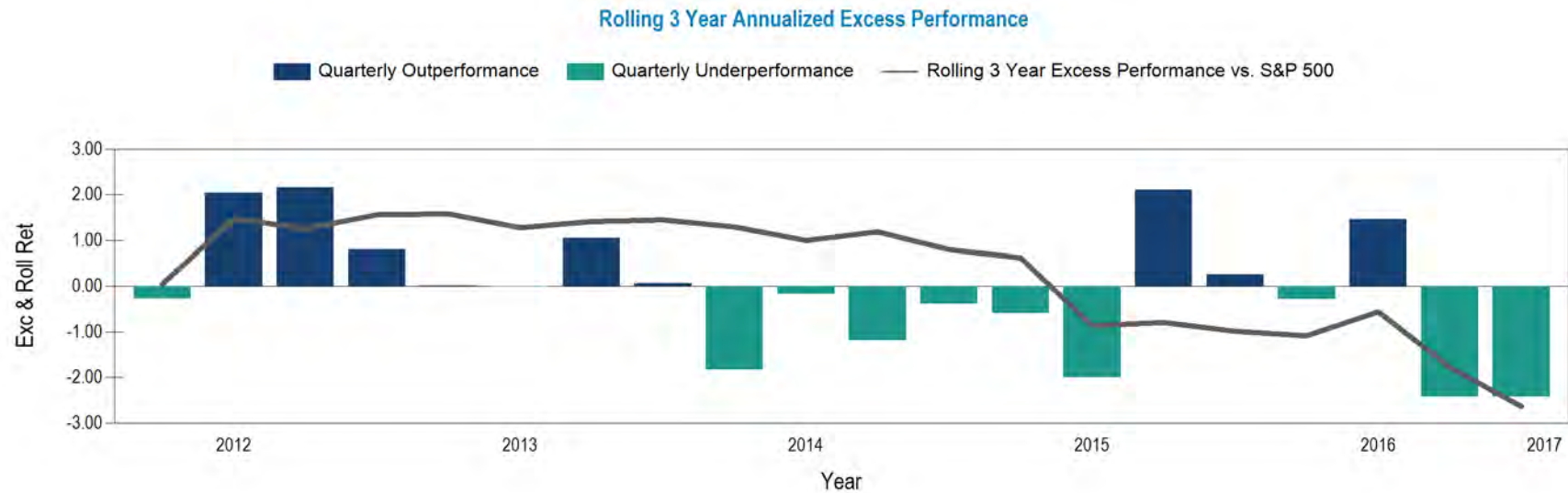
- PIMCO RAE Fundamental PLUS Instl
- ◆ S&P 500
- ▲ Universe Median
- 68% Confidence Interval
- eA US Large Cap Core Equity Gross

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending June 30, 2017



- PIMCO RAE Fundamental PLUS Instl
- ◆ S&P 500
- ▲ Universe Median
- 68% Confidence Interval
- eA US Large Cap Core Equity Gross





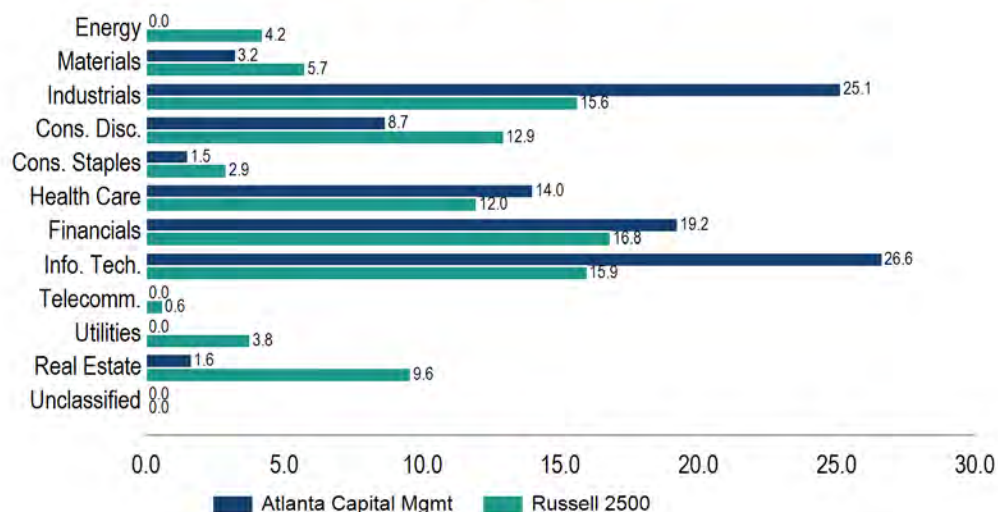
# Atlanta Capital Mgmt Manager Portfolio Overview

Period Ending: June 30, 2017

## Characteristics

	Portfolio	Russell 2500
Number of Holdings	46	2,509
Weighted Avg. Market Cap. (\$B)	7.65	4.43
Median Market Cap. (\$B)	7.14	1.11
Price To Earnings	33.43	24.48
Price To Book	5.60	3.29
Price To Sales	3.38	3.13
Return on Equity (%)	20.10	12.14
Yield (%)	0.75	1.35
Beta	0.68	1.00

## Sector Allocation (%) vs Russell 2500



\*Unclassified includes Cash

## Top Holdings Ending Period Weight

ANSYS	4.36%
TELEFLEX	4.31%
MARKEL	4.01%
SEI INVESTMENTS	3.40%
TRANSUNION	3.17%
ARAMARK	3.15%
BIO-RAD LABORATORIES 'A'	3.10%
BLACKBAUD	2.91%
CDW	2.87%
HUNT JB TRANSPORT SVS.	2.85%
<b>Total</b>	<b>34.13%</b>

## Top Contributors

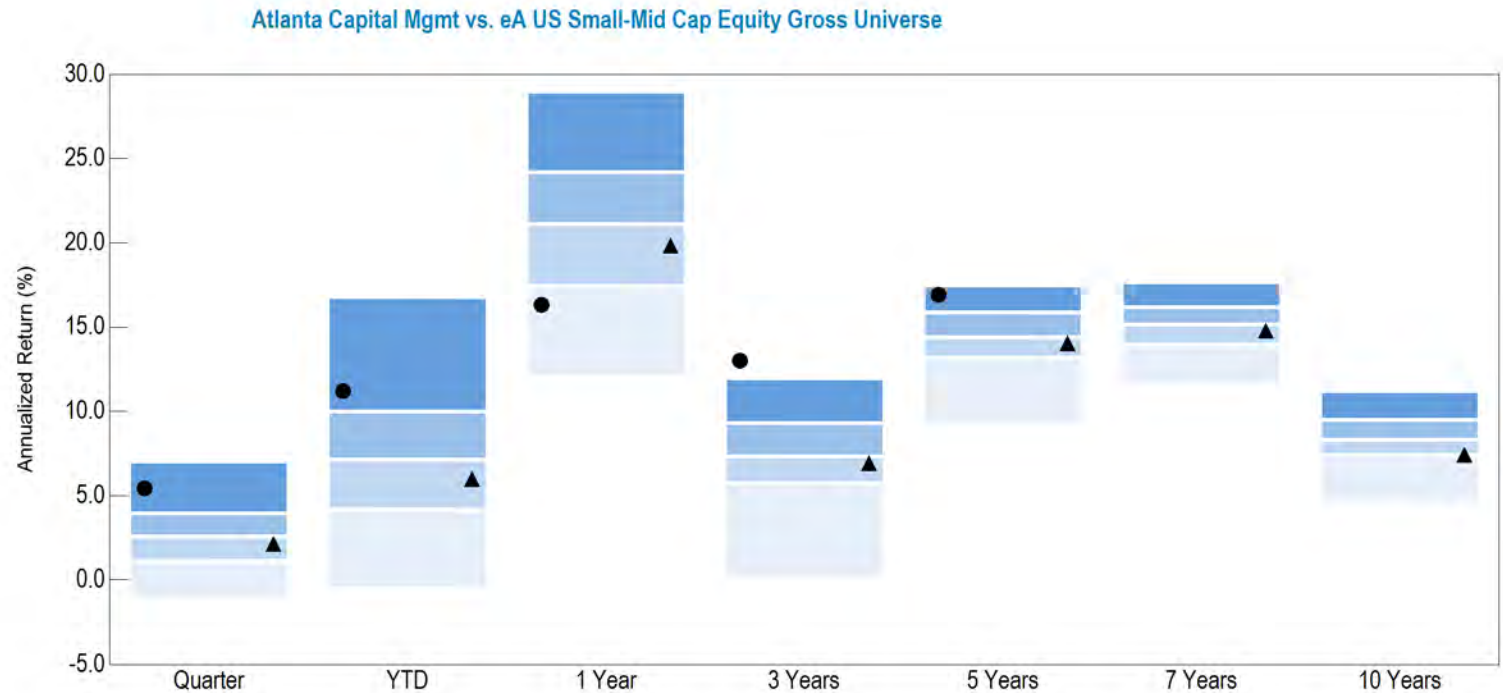
	Avg Wgt	Return	Contribution
ANSYS	4.05	13.86	0.56
IDEX	2.50	21.28	0.53
BIO-RAD LABORATORIES 'A'	2.89	13.53	0.39
BLACKBAUD	2.75	12.01	0.33
TELEFLEX	4.25	7.43	0.32
METTLER TOLEDO INTL.	1.37	22.89	0.31
GARTNER 'A'	2.03	14.37	0.29
GRACO	1.73	16.53	0.29
JACK HENRY & ASSOCS.	2.37	11.91	0.28
TRANSUNION	2.11	12.93	0.27

## Bottom Contributors

	Avg Wgt	Return	Contribution
CARLISLE COS.	2.35	-10.04	-0.24
MANHATTAN ASSOCS.	2.70	-7.67	-0.21
KIRBY	2.32	-5.24	-0.12
OCEANEERING	0.57	-15.17	-0.09
SERVICEMASTER GLB.HDG.	1.36	-6.13	-0.08
FLIR SYSTEMS	1.38	-4.08	-0.06
DRIL-QUIP	0.53	-10.54	-0.06
SALLY BEAUTY HOLDINGS	2.37	-0.93	-0.02
W R BERKLEY	1.72	-1.15	-0.02
COLUMBIA SPORTSWEAR	1.62	-0.85	-0.01

Atlanta Capital Mgmt  
Cumulative Performance Comparison (Gross of Fees)

Period Ending: June 30, 2017

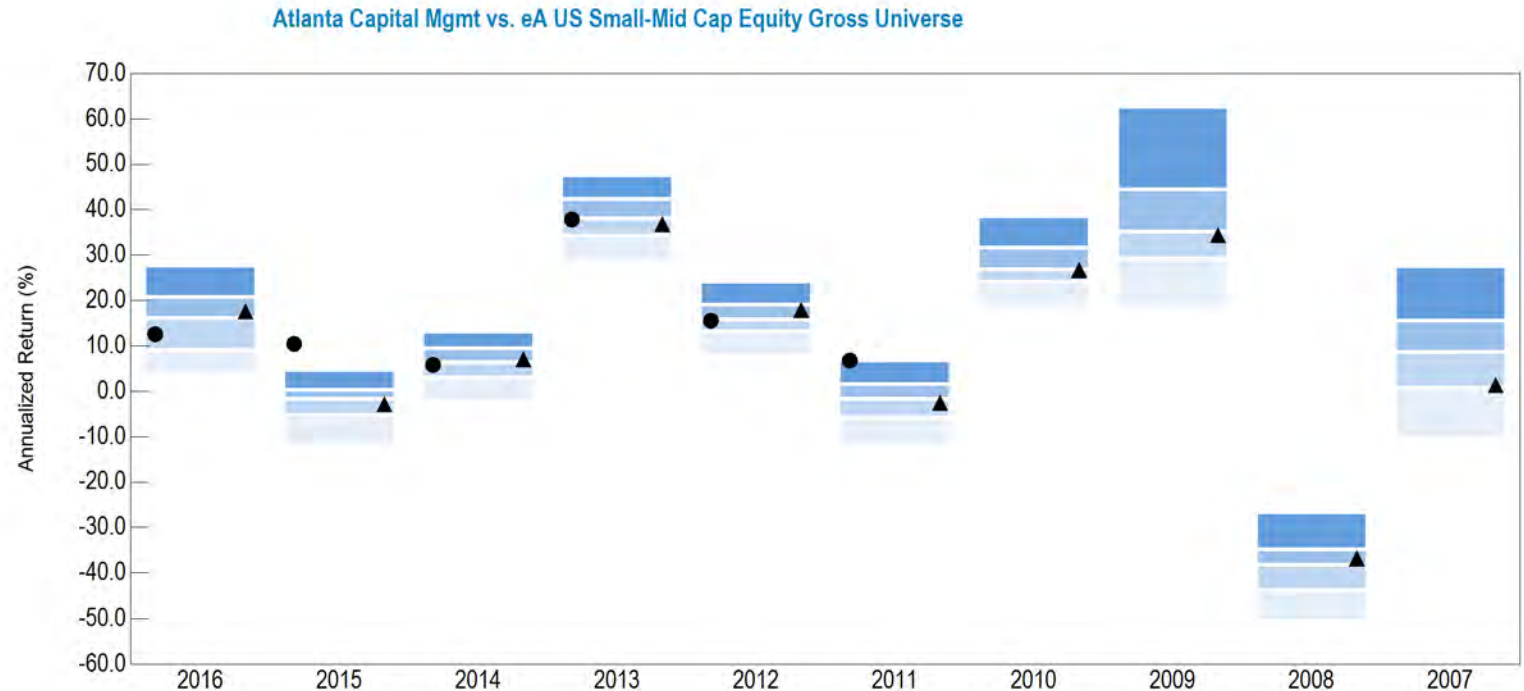


	Return (Rank)											
5th Percentile	7.0		16.8		29.0		12.0		17.5		17.7	
25th Percentile	4.0		10.0		24.2		9.3		15.9		16.2	
Median	2.6		7.2		21.1		7.4		14.4		15.2	
75th Percentile	1.1		4.2		17.5		5.8		13.2		14.0	
95th Percentile	-1.1		-0.4		12.1		0.1		9.3		11.6	
# of Portfolios	231		230		229		216		200		181	
● Atlanta Capital Mgmt	5.4	(13)	11.2	(20)	16.3	(85)	13.0	(3)	16.9	(10)	--	(--)
▲ Russell 2500	2.1	(60)	6.0	(60)	19.8	(59)	6.9	(59)	14.0	(59)	14.8	(60)



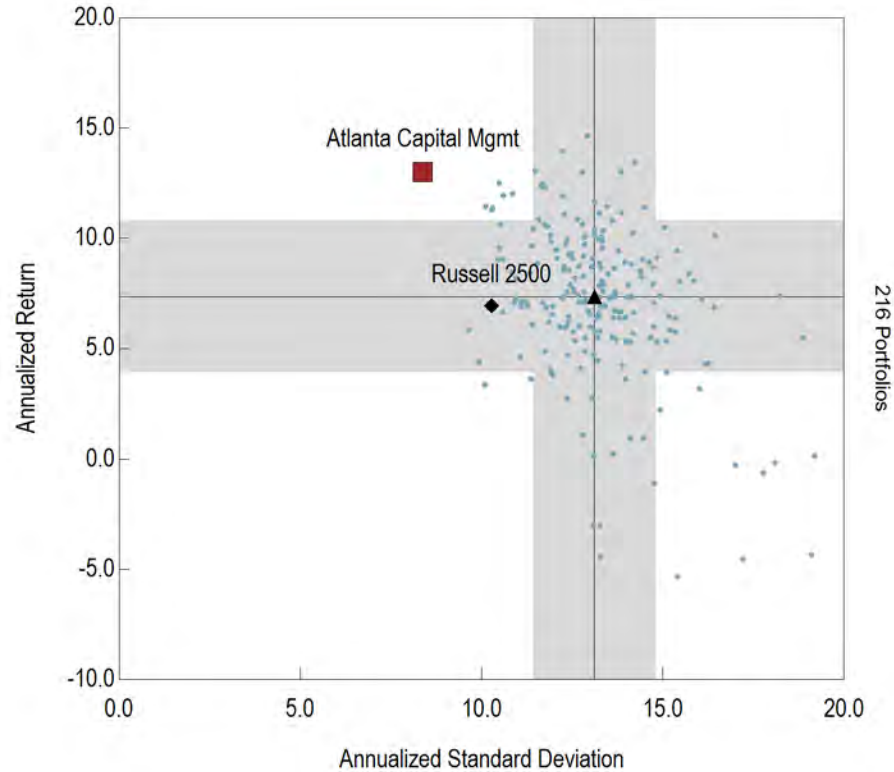
Atlanta Capital Mgmt  
Consecutive Performance Comparison (Gross of Fees)

Period Ending: June 30, 2017

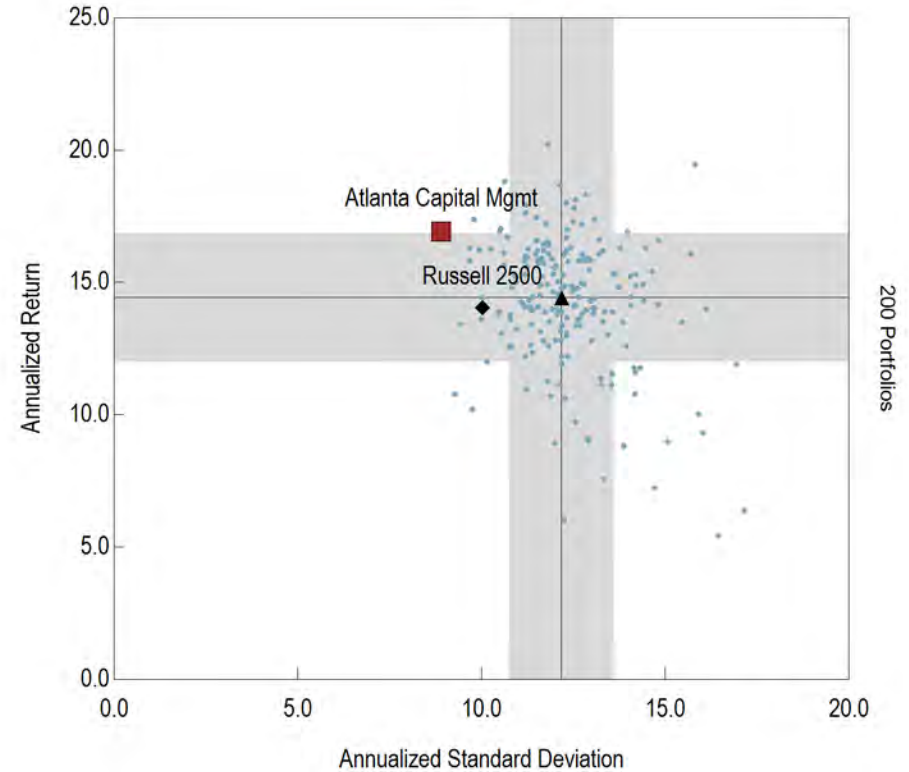


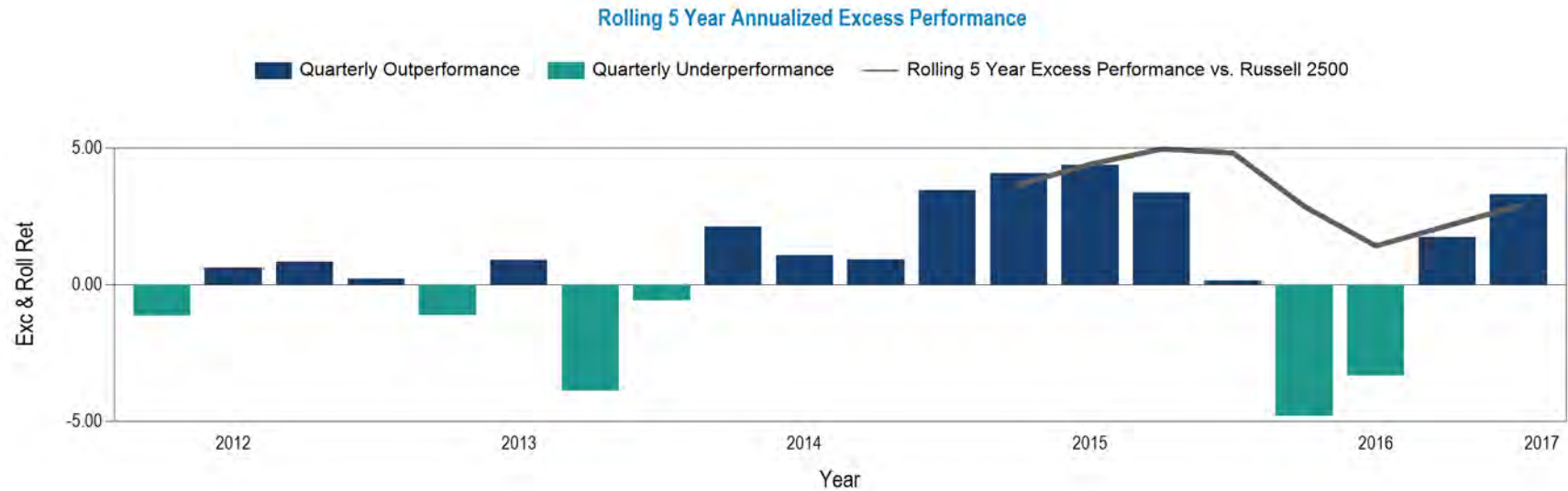
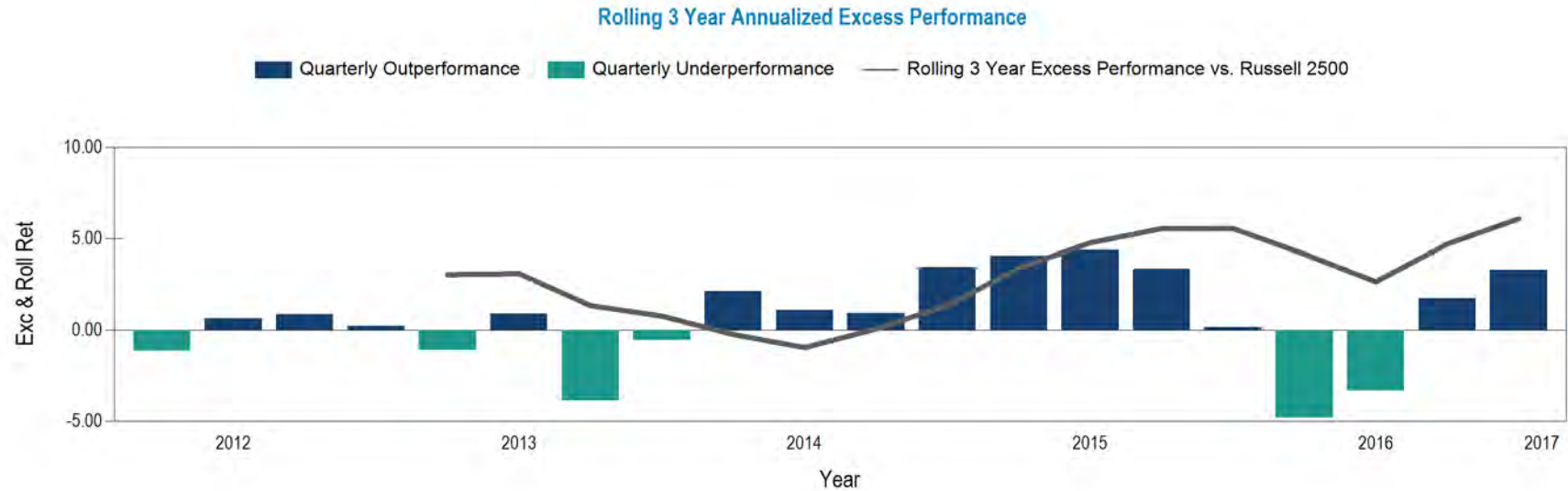
	Return (Rank)													
5th Percentile	27.6	4.6	13.0	47.6	24.1	6.8	38.5	62.6	-26.7	27.5				
25th Percentile	20.8	0.4	9.6	42.5	19.2	1.7	31.7	44.6	-34.7	15.7				
Median	16.1	-1.5	6.5	38.2	16.0	-1.5	26.9	35.2	-38.1	8.8				
75th Percentile	9.2	-5.0	3.1	34.4	13.3	-5.6	24.3	29.4	-43.6	0.9				
95th Percentile	3.8	-11.6	-2.3	28.7	7.8	-11.6	18.7	18.7	-50.3	-10.4				
# of Portfolios	238	215	210	210	216	211	210	226	243	239				
● Atlanta Capital Mgmt	12.6 (62)	10.4 (1)	5.8 (56)	37.8 (52)	15.5 (55)	6.8 (5)	-- (--)	-- (--)	-- (--)	-- (--)				
▲ Russell 2500	17.6 (38)	-2.9 (64)	7.1 (46)	36.8 (58)	17.9 (36)	-2.5 (56)	26.7 (52)	34.4 (55)	-36.8 (37)	1.4 (74)				

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending June 30, 2017



Annualized Return vs. Annualized Standard Deviation  
5 Years Ending June 30, 2017



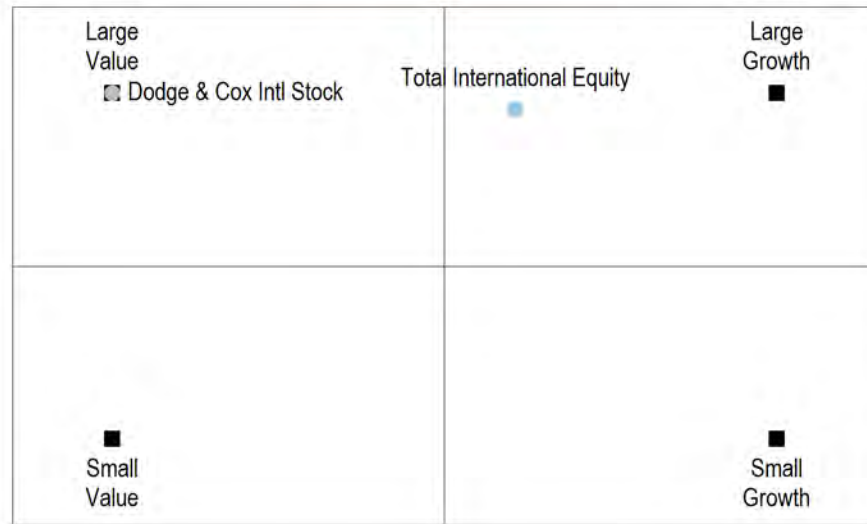


# Total International Equity Asset Class Overview (Gross of Fees)

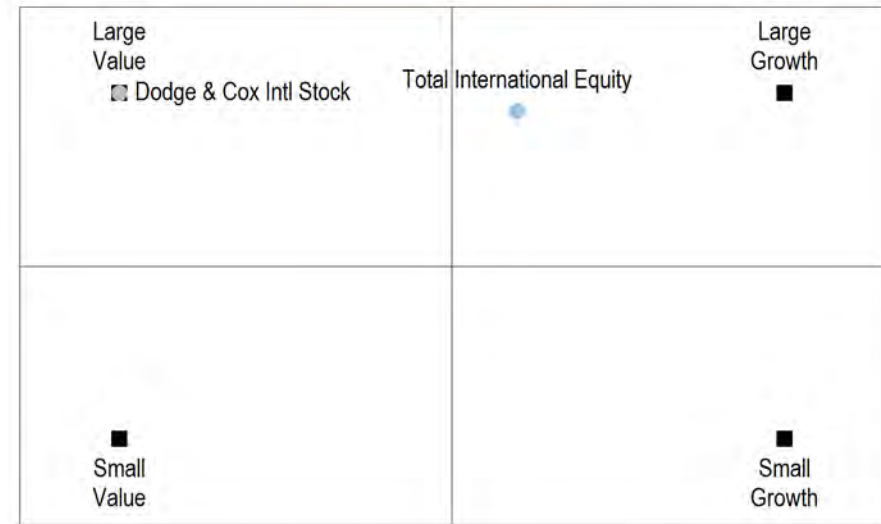
Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total International Equity</b>	<b>302,229,131</b>	<b>6.4</b>	<b>15.7</b>	<b>20.5</b>	<b>2.2</b>	<b>9.3</b>	<b>2.8</b>	<b>2.2</b>	<b>-4.3</b>	<b>2.1</b>	<b>17.9</b>	<b>21.5</b>
MSCI ACWI ex USA Gross		6.0	14.5	21.0	1.3	7.7	1.6	5.0	-5.3	-3.4	15.8	17.4
InvestorForce Public DB ex-US Eq Gross Rank		53	50	56	49	24	20	82	68	1	50	11
Dodge & Cox Intl Stock	158,875,545	4.9	14.9	31.2	1.3	10.9	--	9.0	-10.8	0.7	27.1	21.8
MSCI EAFE Gross		6.4	14.2	20.8	1.6	9.2	--	1.5	-0.4	-4.5	23.3	17.9
eA All EAFE Equity Gross Rank		92	51	3	83	37	--	3	99	13	32	37
WCM International Growth	143,353,586	8.0	--	--	--	--	--	--	--	--	--	--
MSCI ACWI ex USA Gross		6.0	--	--	--	--	--	--	--	--	--	--
eA ACWI ex-US All Cap Growth Eq Gross Rank		46	--	--	--	--	--	--	--	--	--	--

EAFE Effective Style Map  
3 Years Ending June 30, 2017



EAFE Effective Style Map  
5 Years Ending June 30, 2017



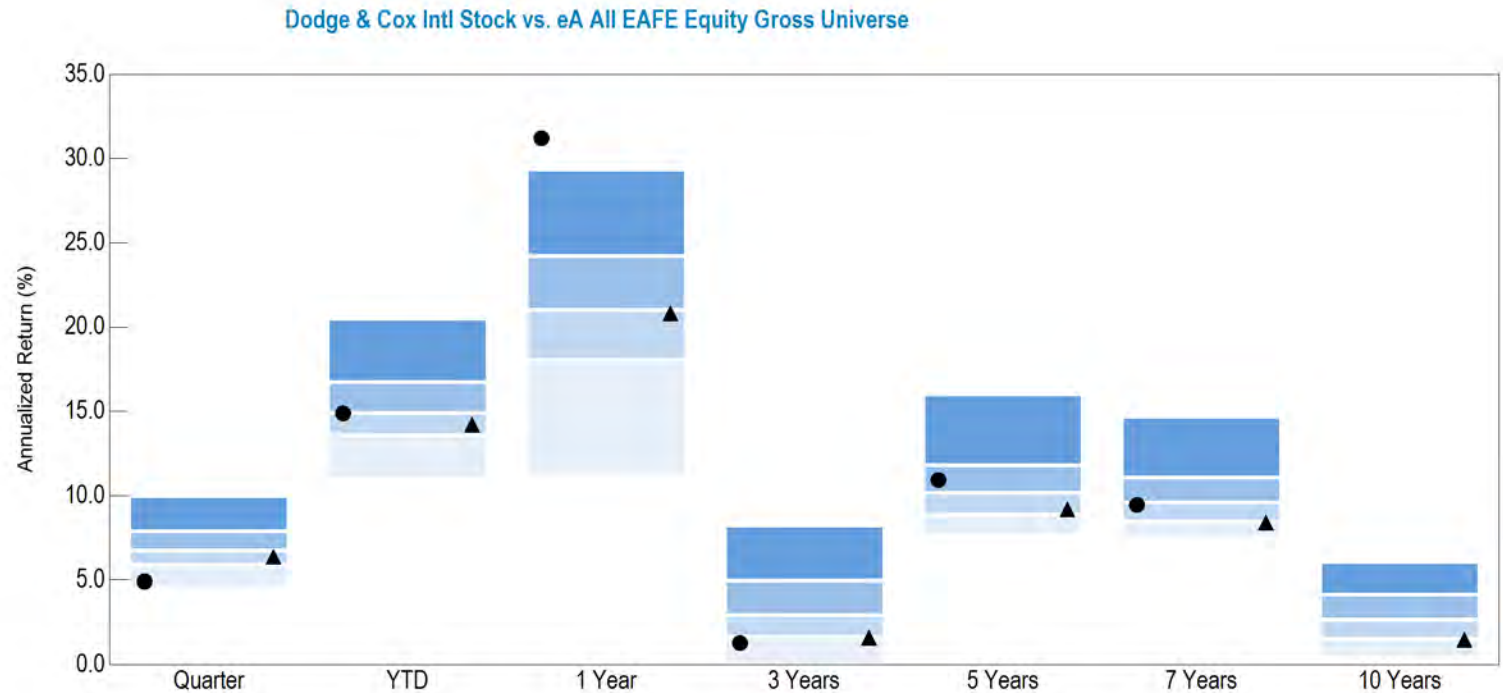
# Total International Equity Asset Class Overview (Net of Fees)

Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total International Equity</b>	<b>302,229,131</b>	<b>6.2</b>	<b>15.3</b>	<b>19.8</b>	<b>1.6</b>	<b>8.6</b>	<b>--</b>	<b>1.6</b>	<b>-4.9</b>	<b>1.4</b>	<b>17.0</b>	<b>20.6</b>
MSCI ACWI ex USA Gross		6.0	14.5	21.0	1.3	7.7	--	5.0	-5.3	-3.4	15.8	17.4
Dodge & Cox Intl Stock	158,875,545	4.8	14.5	30.4	0.6	10.2	--	8.3	-11.4	0.1	26.3	21.0
MSCI EAFE Gross		6.4	14.2	20.8	1.6	9.2	--	1.5	-0.4	-4.5	23.3	17.9
WCM International Growth	143,353,586	7.8	--	--	--	--	--	--	--	--	--	--
MSCI ACWI ex USA Gross		6.0	--	--	--	--	--	--	--	--	--	--

Dodge & Cox Intl Stock  
Cumulative Performance Comparison (Gross of Fees)

Period Ending: June 30, 2017

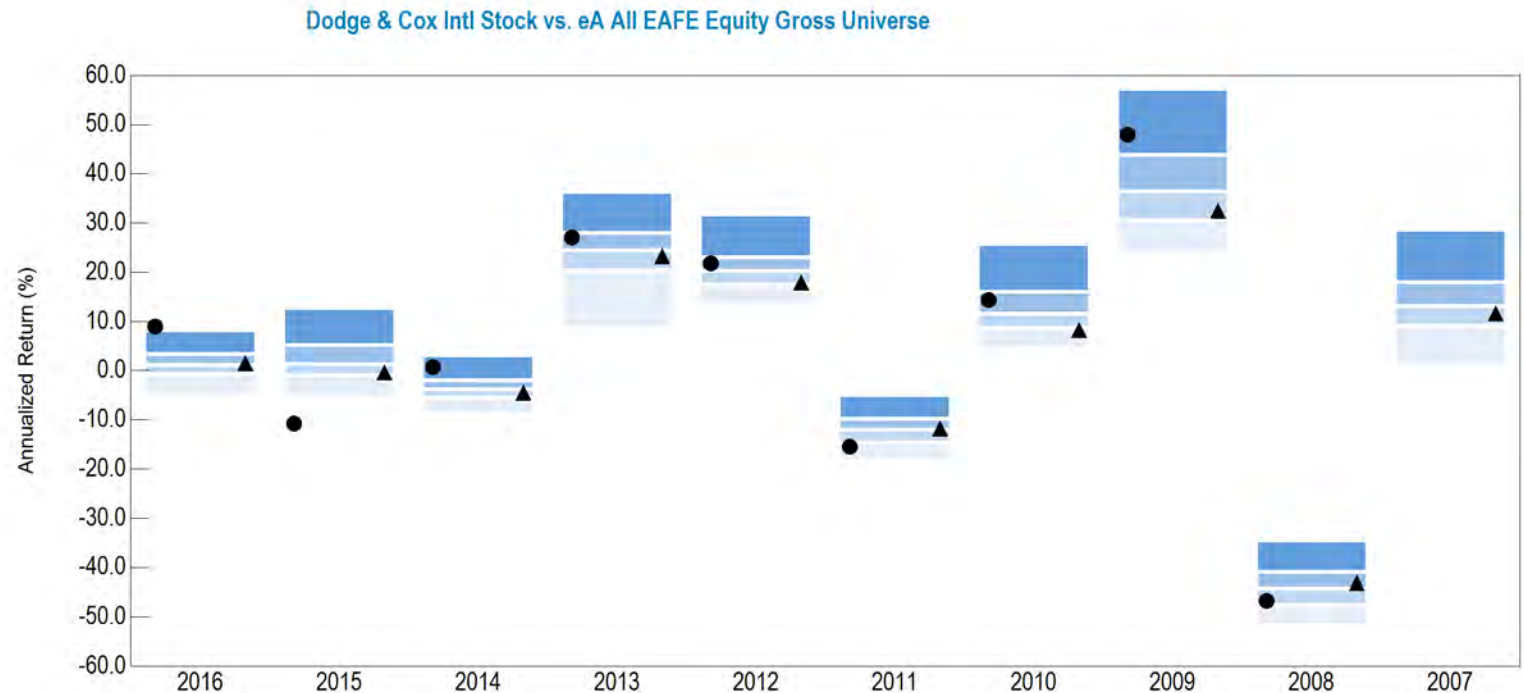


	Return (Rank)											
	Quarter		YTD		1 Year		3 Years		5 Years		7 Years	
5th Percentile	10.0		20.5		29.3		8.2		16.0		14.7	
25th Percentile	7.9		16.7		24.2		5.0		11.8		11.1	
Median	6.8		14.9		21.1		3.0		10.2		9.6	
75th Percentile	5.9		13.6		18.1		1.7		8.9		8.5	
95th Percentile	4.5		11.0		11.3		0.1		7.7		7.5	
# of Portfolios	381		381		381		354		323		301	
● Dodge & Cox Intl Stock	4.9	(92)	14.9	(51)	31.2	(3)	1.3	(83)	10.9	(37)	9.4	(54)
▲ MSCI EAFE Gross	6.4	(64)	14.2	(63)	20.8	(53)	1.6	(76)	9.2	(70)	8.4	(78)
											--	(--)
											1.5	(78)



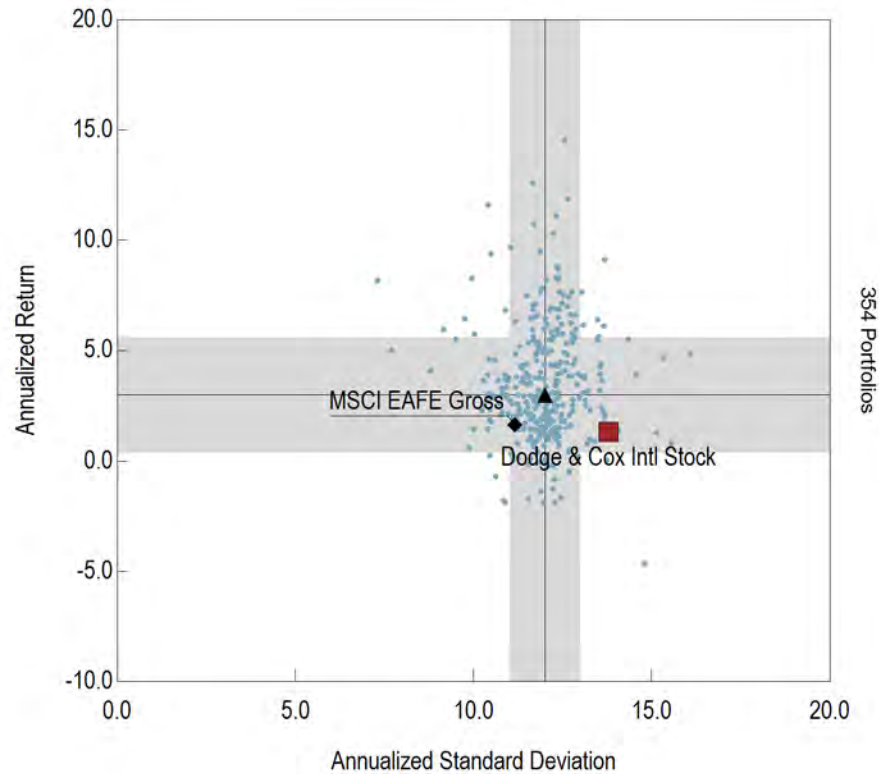
Dodge & Cox Intl Stock  
Consecutive Performance Comparison (Gross of Fees)

Period Ending: June 30, 2017



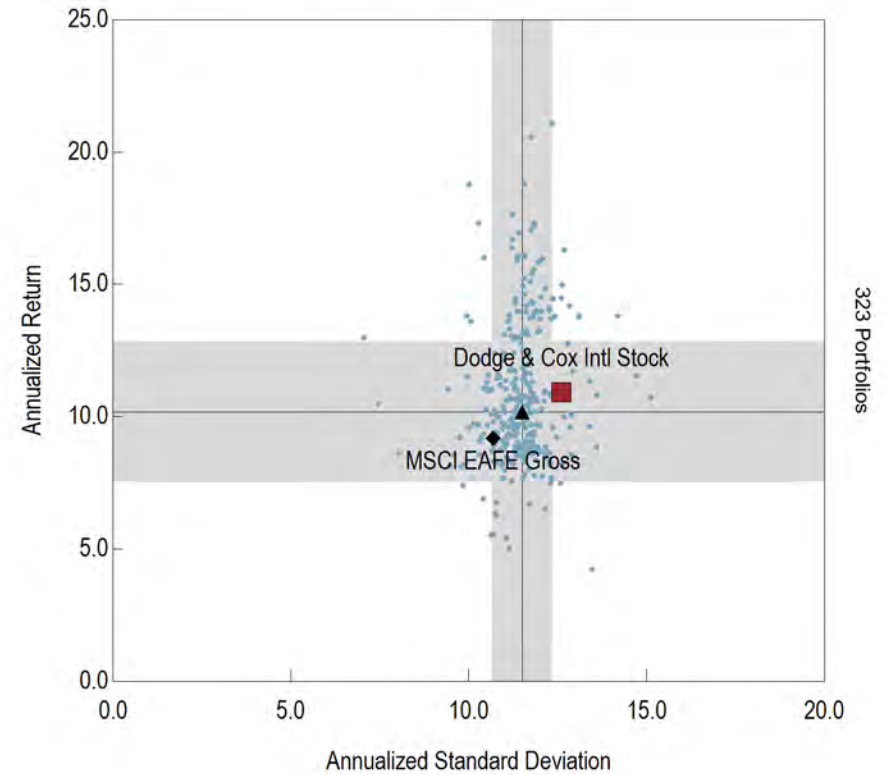
	Return (Rank)									
5th Percentile	8.1	12.6	3.0	36.3	31.7	-5.1	25.7	57.3	-34.5	28.5
25th Percentile	3.4	5.2	-1.9	28.1	23.1	-9.7	16.1	44.0	-40.8	18.0
Median	1.3	1.4	-3.7	24.6	20.4	-12.0	11.7	36.5	-44.1	13.2
75th Percentile	-0.6	-0.9	-5.4	20.5	17.5	-14.5	8.7	30.7	-47.5	9.1
95th Percentile	-4.9	-5.4	-8.6	8.6	13.3	-18.2	4.6	23.7	-51.5	1.2
# of Portfolios	350	325	314	284	263	278	352	455	477	466
● Dodge & Cox Intl Stock	9.0 (3)	-10.8 (99)	0.7 (13)	27.1 (32)	21.8 (37)	-15.5 (82)	14.4 (36)	48.0 (17)	-46.7 (69)	-- (--)
▲ MSCI EAFE Gross	1.5 (47)	-0.4 (66)	-4.5 (60)	23.3 (60)	17.9 (72)	-11.7 (47)	8.2 (78)	32.5 (67)	-43.1 (41)	11.6 (59)

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending June 30, 2017



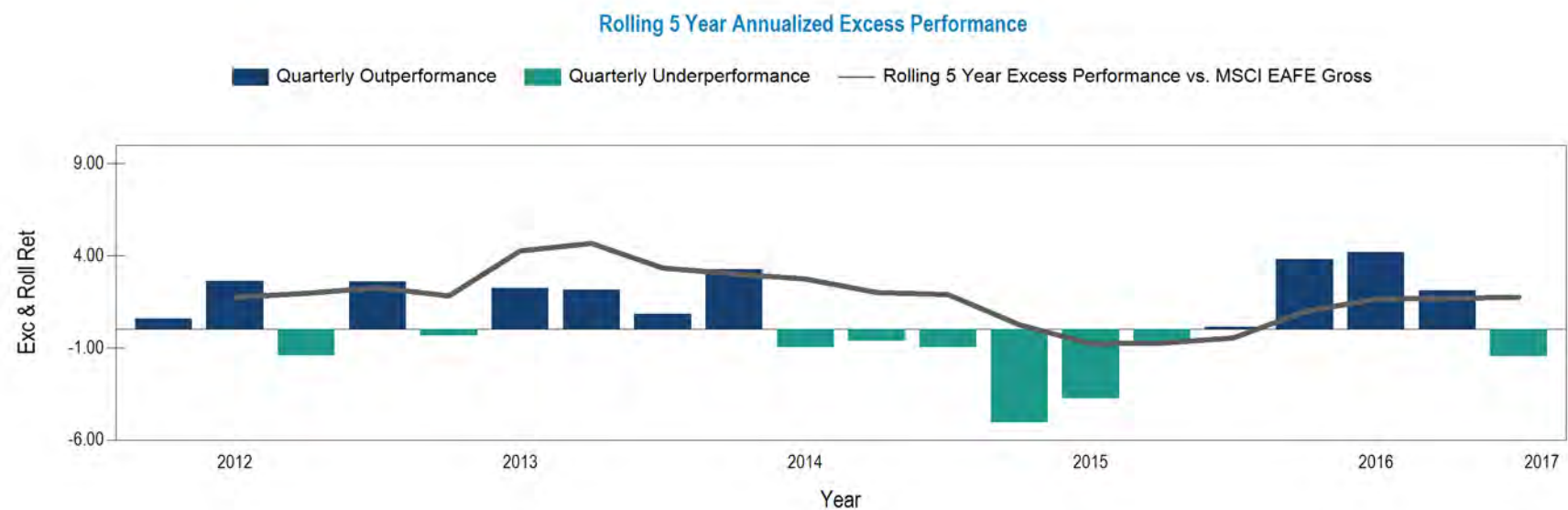
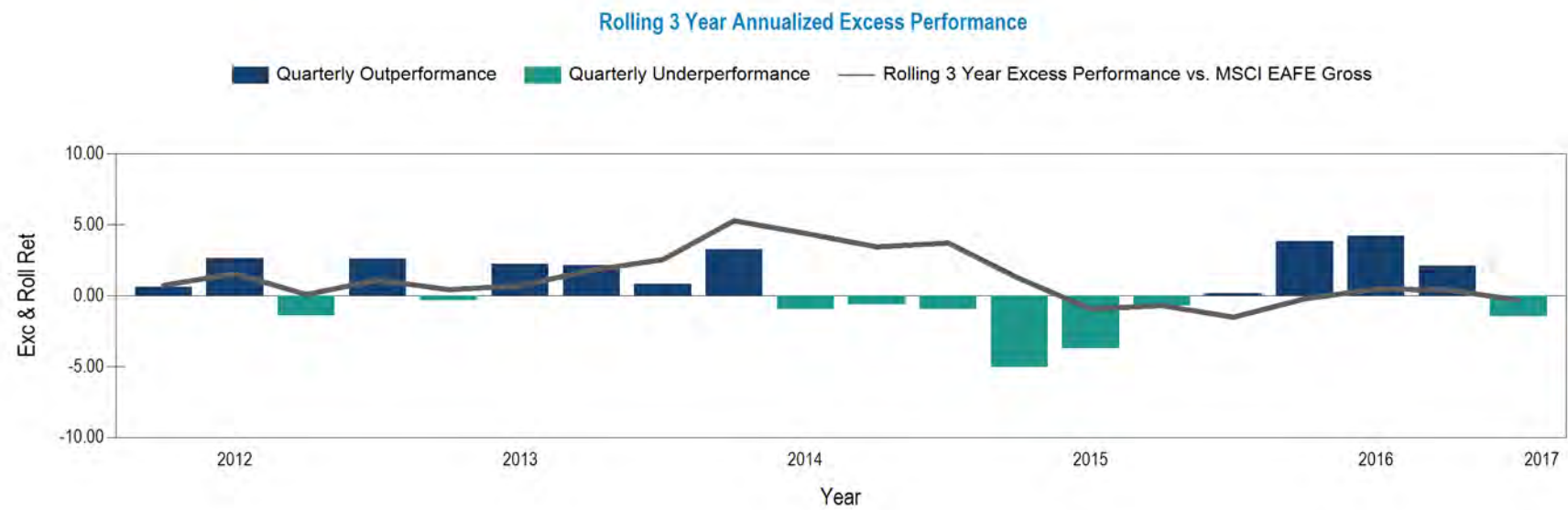
- Dodge & Cox Intl Stock
- ◆ MSCI EAFE Gross
- ▲ Universe Median
- 68% Confidence Interval
- eA All EAFE Equity Gross

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending June 30, 2017



- Dodge & Cox Intl Stock
- ◆ MSCI EAFE Gross
- ▲ Universe Median
- 68% Confidence Interval
- eA All EAFE Equity Gross



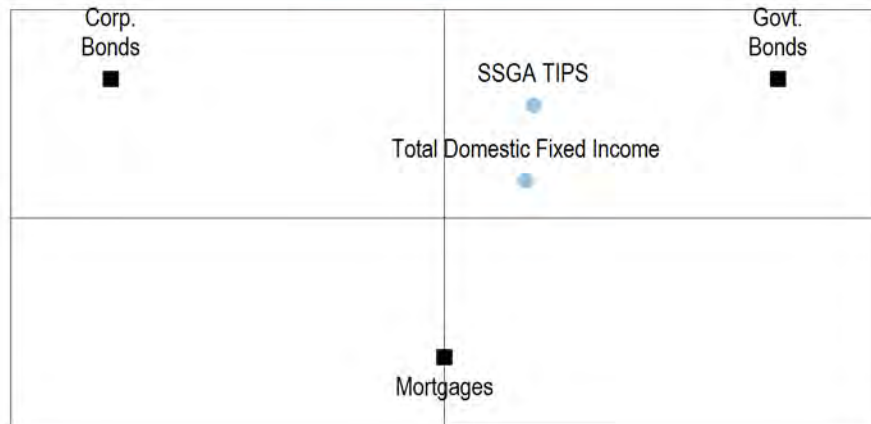


# Total Domestic Fixed Income Asset Class Overview (Gross of Fees)

Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Domestic Fixed Income</b>	<b>275,964,969</b>	<b>0.9</b>	<b>2.2</b>	<b>1.8</b>	<b>2.8</b>	<b>2.7</b>	<b>3.8</b>	<b>4.5</b>	<b>1.1</b>	<b>4.7</b>	<b>-2.7</b>	<b>7.9</b>
BBgBarc US Aggregate TR		1.4	2.3	-0.3	2.5	2.2	4.5	2.6	0.6	6.0	-2.0	4.2
InvestorForce Public DB US Fix Inc Gross Rank		92	60	41	47	51	81	49	17	68	95	38
BlackRock Core Bond	94,226,103	0.5	--	--	--	--	--	--	--	--	--	--
BBgBarc US Aggregate TR		1.4	--	--	--	--	--	--	--	--	--	--
eA US Core Fixed Inc Gross Rank		99	--	--	--	--	--	--	--	--	--	--
Dodge & Cox Income Fund	95,738,386	1.6	--	--	--	--	--	--	--	--	--	--
BBgBarc US Aggregate TR		1.4	--	--	--	--	--	--	--	--	--	--
eA US Core Fixed Inc Gross Rank		42	--	--	--	--	--	--	--	--	--	--
Pacific Asset Corporate Loan	67,059,382	0.7	2.1	7.5	--	--	--	9.2	2.5	--	--	--
S&P/LSTA Leveraged Loan Index		0.8	1.9	7.4	--	--	--	10.2	-0.7	--	--	--
eA Float-Rate Bank Loan Gross Rank		78	33	38	--	--	--	51	9	--	--	--
SSGA TIPS	18,891,829	-0.4	0.9	-0.6	0.6	0.3	--	4.7	-1.5	3.6	-8.6	6.9
BBgBarc US TIPS TR		-0.4	0.9	-0.6	0.6	0.3	--	4.7	-1.4	3.6	-8.6	7.0
eA TIPS / Infl Indexed Fixed Inc Gross Rank		73	73	82	61	88	--	51	64	44	77	67

Fixed Income Effective Style Map  
3 Years Ending June 30, 2017



Fixed Income Effective Style Map  
5 Years Ending June 30, 2017



# Total Domestic Fixed Income Asset Class Overview (Net of Fees)

Period Ending: June 30, 2017

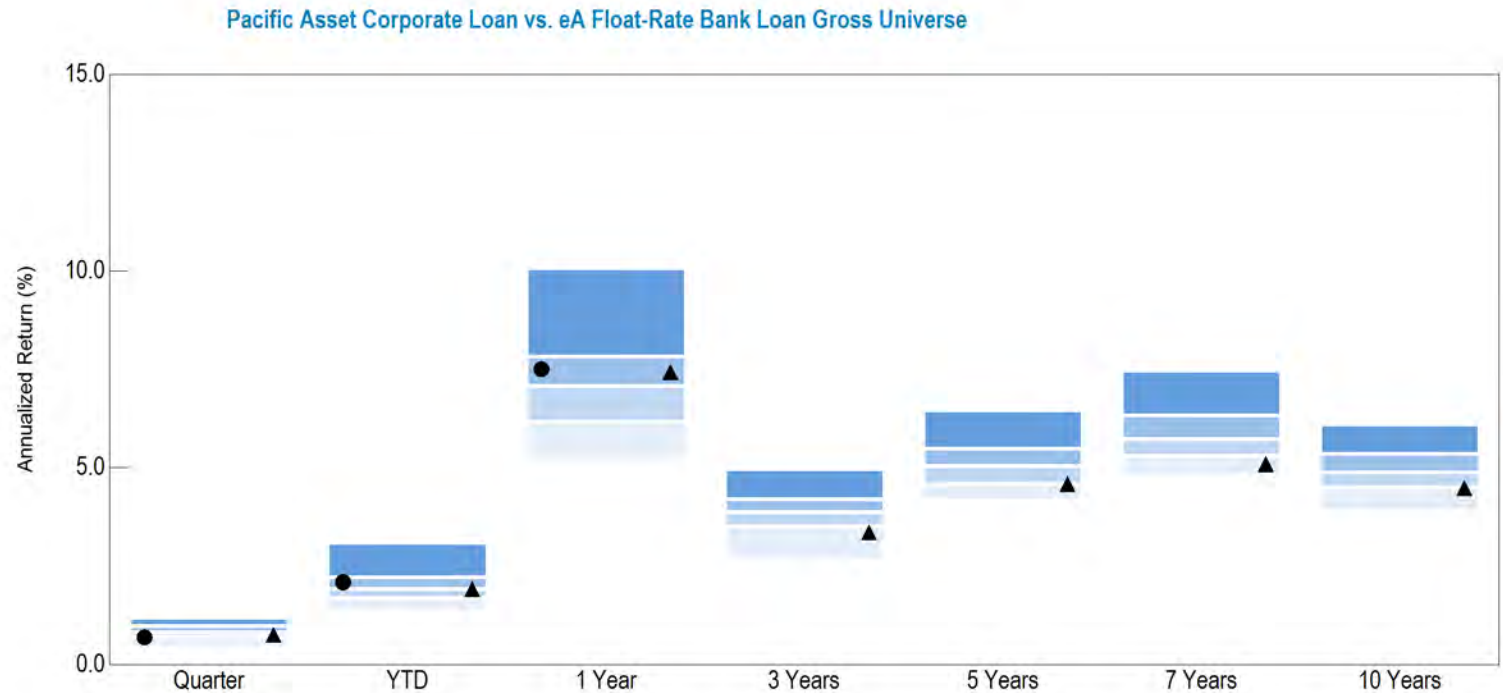
	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Domestic Fixed Income</b>	<b>275,964,969</b>	<b>0.8</b>	<b>2.1</b>	<b>1.5</b>	<b>2.6</b>	<b>2.4</b>	<b>--</b>	<b>4.2</b>	<b>0.9</b>	<b>4.4</b>	<b>-3.0</b>	<b>7.6</b>
<i>BBgBarc US Aggregate TR</i>		1.4	2.3	-0.3	2.5	2.2	--	2.6	0.6	6.0	-2.0	4.2
BlackRock Core Bond	94,226,103	0.4	--	--	--	--	--	--	--	--	--	--
<i>BBgBarc US Aggregate TR</i>		1.4	--	--	--	--	--	--	--	--	--	--
Dodge & Cox Income Fund	95,738,386	1.5	--	--	--	--	--	--	--	--	--	--
<i>BBgBarc US Aggregate TR</i>		1.4	--	--	--	--	--	--	--	--	--	--
Pacific Asset Corporate Loan	67,059,382	0.6	2.0	7.2	--	--	--	8.8	2.1	--	--	--
<i>S&amp;P/LSTA Leveraged Loan Index</i>		0.8	1.9	7.4	--	--	--	10.2	-0.7	--	--	--
SSGA TIPS	18,891,829	-0.4	0.8	-0.7	0.6	0.2	--	4.6	-1.5	3.6	-8.7	6.9
<i>BBgBarc US TIPS TR</i>		-0.4	0.9	-0.6	0.6	0.3	--	4.7	-1.4	3.6	-8.6	7.0

## Correlation Matrix Last 5 Years

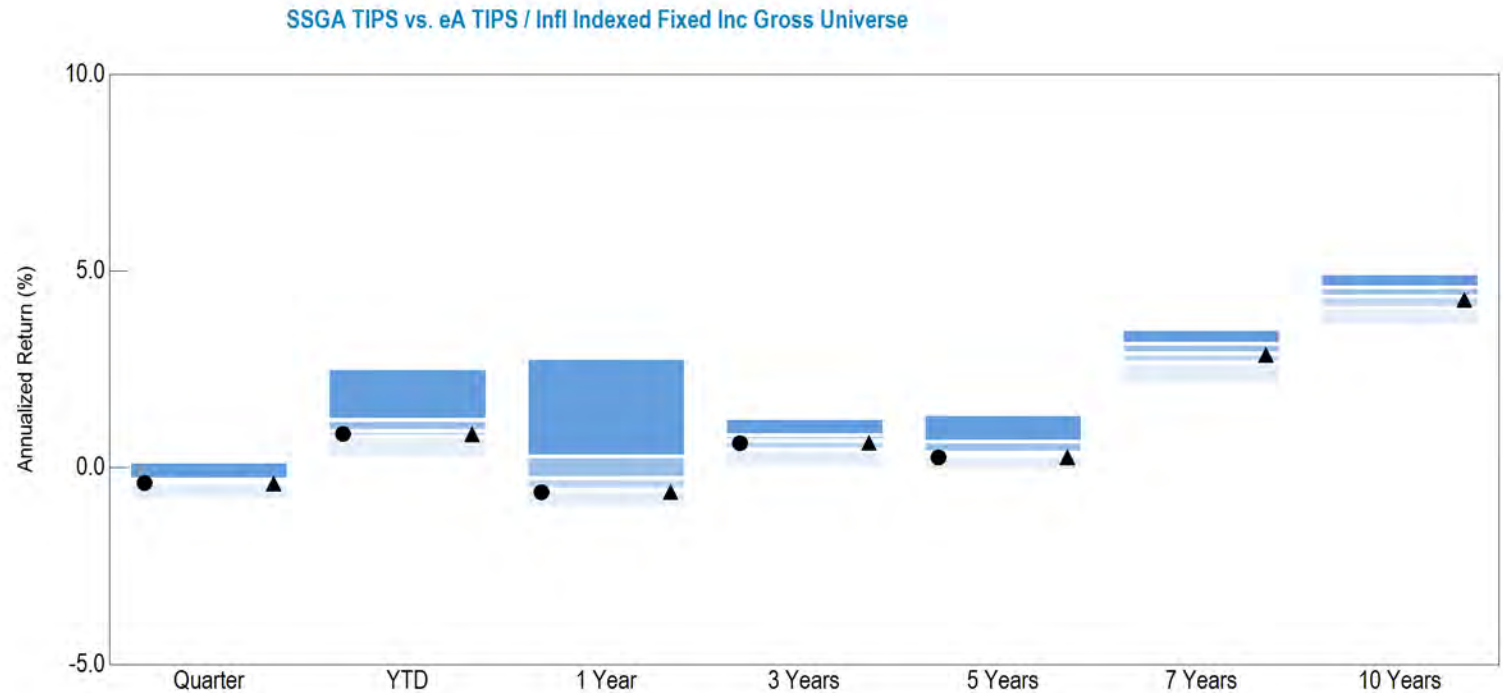
	Total Domestic Fixed Income	BlackRock Core Bond	Dodge & Cox Income Fund	Pacific Asset Corporate Loan	SSGA TIPS	BBgBarc US Aggregate TR
Total Domestic Fixed Income	1.00	--	--	--	--	--
BlackRock Core Bond	--	--	--	--	--	--
Dodge & Cox Income Fund	--	--	--	--	--	--
Pacific Asset Corporate Loan	--	--	--	--	--	--
SSGA TIPS	0.94	--	--	--	1.00	--
BBgBarc US Aggregate TR	0.91	--	--	--	0.80	1.00

Pacific Asset Corporate Loan  
Cumulative Performance Comparison (Gross of Fees)

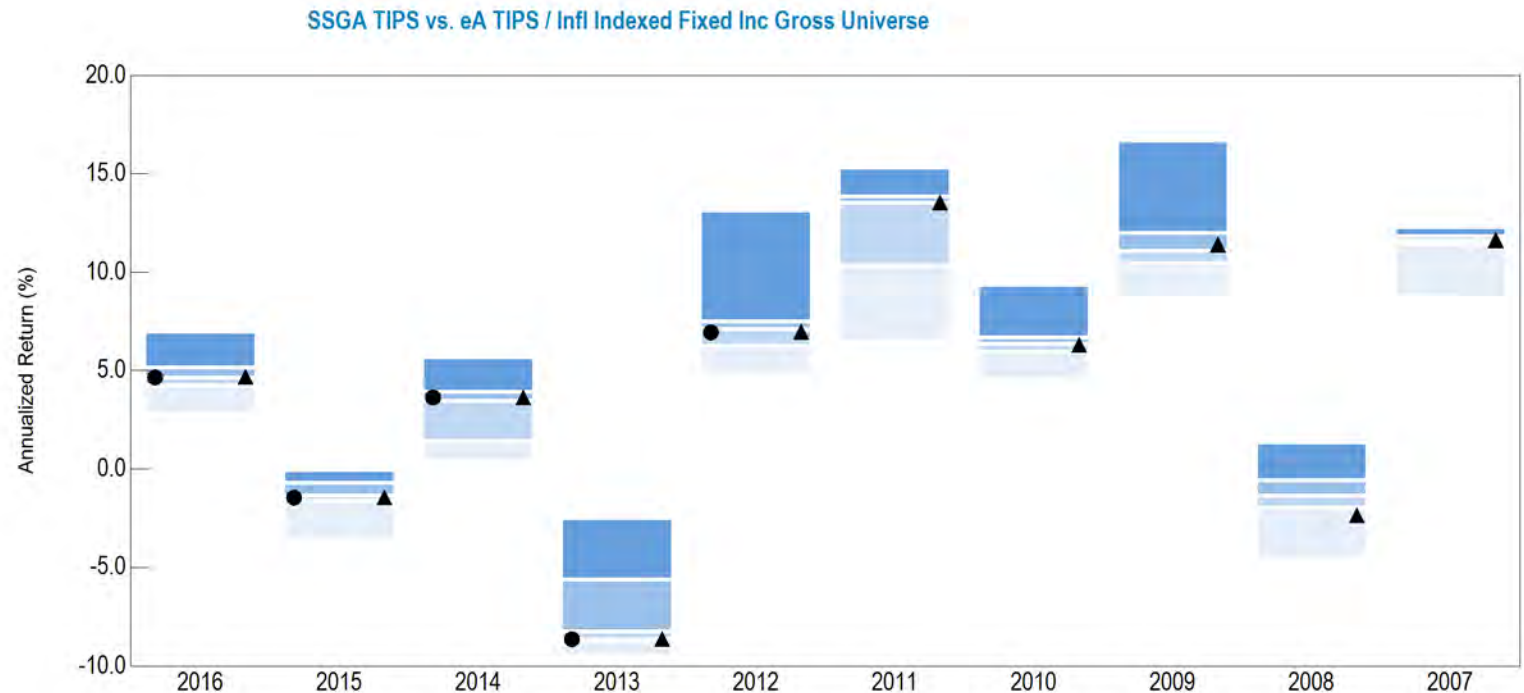
Period Ending: June 30, 2017



	Return (Rank)											
5th Percentile	1.2		3.1		10.1		4.9		6.5		7.5	
25th Percentile	1.0		2.2		7.8		4.2		5.5		6.3	
Median	0.8		1.9		7.1		3.9		5.0		5.7	
75th Percentile	0.7		1.7		6.2		3.5		4.6		5.3	
95th Percentile	0.5		1.4		5.2		2.6		4.2		4.8	
# of Portfolios	71		71		71		71		62		50	
● Pacific Asset Corporate Loan	0.7	(78)	2.1	(33)	7.5	(38)	--	(--)	--	(--)	--	(--)
▲ S&P/LSTA Leveraged Loan Index	0.8	(65)	1.9	(52)	7.4	(40)	3.4	(85)	4.6	(76)	5.1	(84)
											4.5	(77)



	Return (Rank)											
5th Percentile	0.1		2.5		2.8		1.2		1.4		3.5	4.9
25th Percentile	-0.3		1.2		0.3		0.8		0.7		3.2	4.6
Median	-0.4		0.9		-0.3		0.7		0.4		2.9	4.4
75th Percentile	-0.4		0.8		-0.6		0.5		0.3		2.7	4.1
95th Percentile	-0.8		0.3		-1.0		0.0		-0.1		2.1	3.6
# of Portfolios	42		42		42		42		42		37	31
● SSGA TIPS	-0.4	(73)	0.9	(73)	-0.6	(82)	0.6	(61)	0.3	(88)	--	(--)
▲ BBgBarc US TIPS TR	-0.4	(77)	0.9	(73)	-0.6	(82)	0.6	(60)	0.3	(86)	2.9	(62)



	Return (Rank)									
5th Percentile	7.0	-0.1	5.7	-2.5	13.1	15.3	9.4	16.7	1.3	12.3
25th Percentile	5.2	-0.7	4.0	-5.6	7.5	13.9	6.7	12.0	-0.5	11.8
Median	4.7	-1.3	3.5	-8.2	7.1	13.5	6.4	11.1	-1.4	11.6
75th Percentile	4.3	-1.6	1.4	-8.6	6.3	10.4	6.0	10.5	-1.9	11.5
95th Percentile	2.8	-3.6	0.4	-9.4	4.9	6.6	4.6	8.7	-4.6	8.8
# of Portfolios	42	44	50	43	43	47	39	37	40	37
● SSGA TIPS	4.7 (51)	-1.5 (64)	3.6 (44)	-8.6 (77)	6.9 (67)	-- (--)	-- (--)	-- (--)	-- (--)	-- (--)
▲ BBgBarc US TIPS TR	4.7 (47)	-1.4 (59)	3.6 (44)	-8.6 (76)	7.0 (66)	13.6 (49)	6.3 (57)	11.4 (35)	-2.4 (85)	11.6 (49)

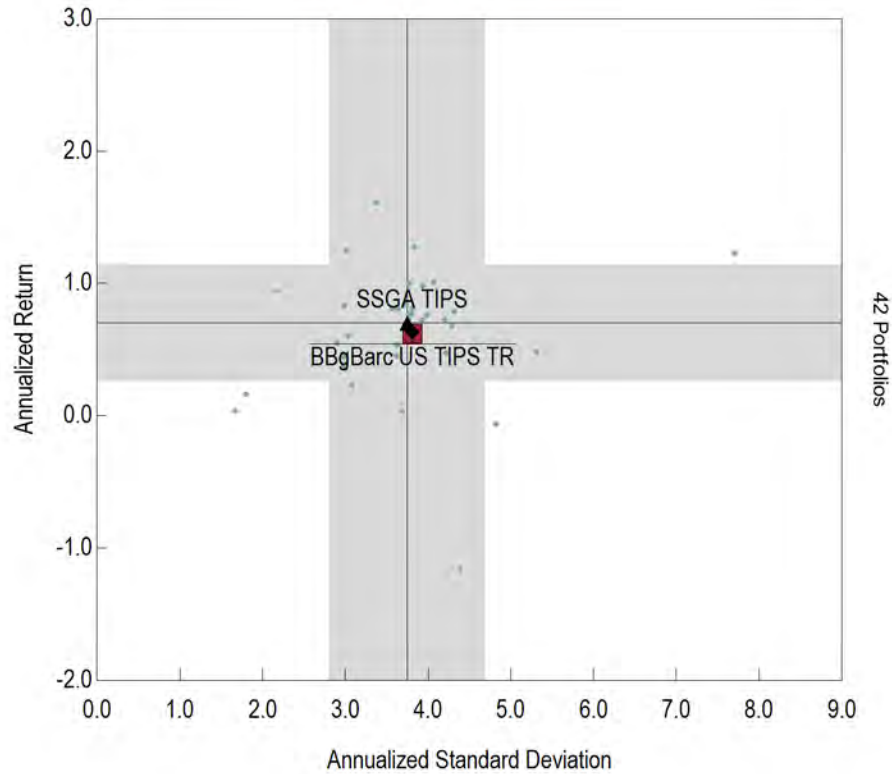


# SSGA TIPS

## Risk vs Return Three & Five Year (Gross of Fees)

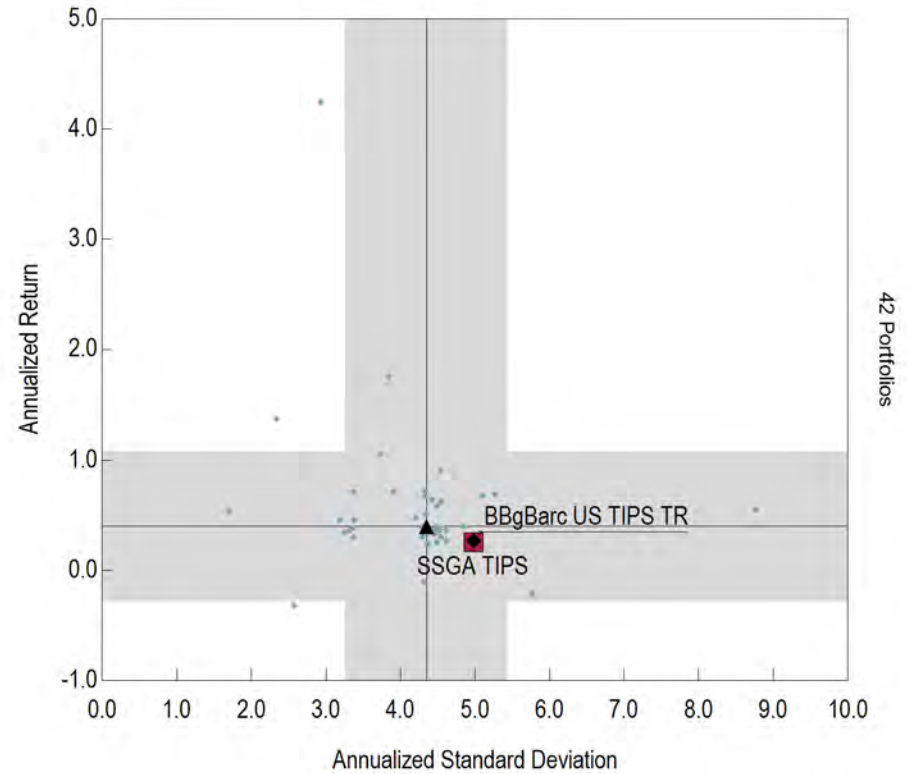
Period Ending: June 30, 2017

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending June 30, 2017



- SSGA TIPS
- ◆ BBgBarc US TIPS TR
- ▲ Universe Median
- 68% Confidence Interval
- eA TIPS / Infl Indexed Fixed Inc Gross

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending June 30, 2017



- SSGA TIPS
- ◆ BBgBarc US TIPS TR
- ▲ Universe Median
- 68% Confidence Interval
- eA TIPS / Infl Indexed Fixed Inc Gross

# Total Global Fixed Asset Class Overview (Gross of Fees)

Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Global Fixed</b>	<b>124,343,762</b>	<b>3.7</b>	<b>10.4</b>	<b>5.1</b>	<b>-1.9</b>	<b>0.9</b>	<b>--</b>	<b>5.8</b>	<b>-11.8</b>	<b>-2.2</b>	<b>-3.8</b>	<b>13.8</b>
<i>Citi World Govt Bond Index</i>		2.9	4.5	-4.1	-1.0	-0.2	--	1.6	-3.6	-0.5	-4.0	1.6
<i>InvestorForce Public DB Gbl Fix Inc Gross Rank</i>		15	5	71	95	90	--	67	95	93	59	26
<b>Brandywine Global Fixed Income</b>	<b>63,016,491</b>	<b>4.2</b>	<b>9.4</b>	<b>2.9</b>	<b>-0.9</b>	<b>2.0</b>	<b>--</b>	<b>2.2</b>	<b>-9.3</b>	<b>2.9</b>	<b>-1.6</b>	<b>13.8</b>
<i>JPM GBI Global TR USD</i>		2.6	4.1	-4.4	-0.5	0.0	--	1.6	-2.6	0.7	-4.5	1.3
<i>eA Global Fixed Inc Unhedged Gross Rank</i>		11	4	54	88	59	--	71	96	43	59	30
<b>Stone Harbor Local Markets Ins</b>	<b>61,327,271</b>	<b>3.2</b>	<b>11.5</b>	<b>7.4</b>	<b>-3.1</b>	<b>--</b>	<b>--</b>	<b>9.9</b>	<b>-14.4</b>	<b>-7.7</b>	<b>--</b>	<b>--</b>
<i>JPM GBI-EM Global Diversified TR USD</i>		3.6	10.4	6.4	-2.8	--	--	9.9	-14.9	-5.7	--	--
<i>eA All Emg Mkts Fixed Inc Gross Rank</i>		27	9	63	96	--	--	67	79	98	--	--



# Total Global Fixed Asset Class Overview (Net of Fees)

Period Ending: June 30, 2017

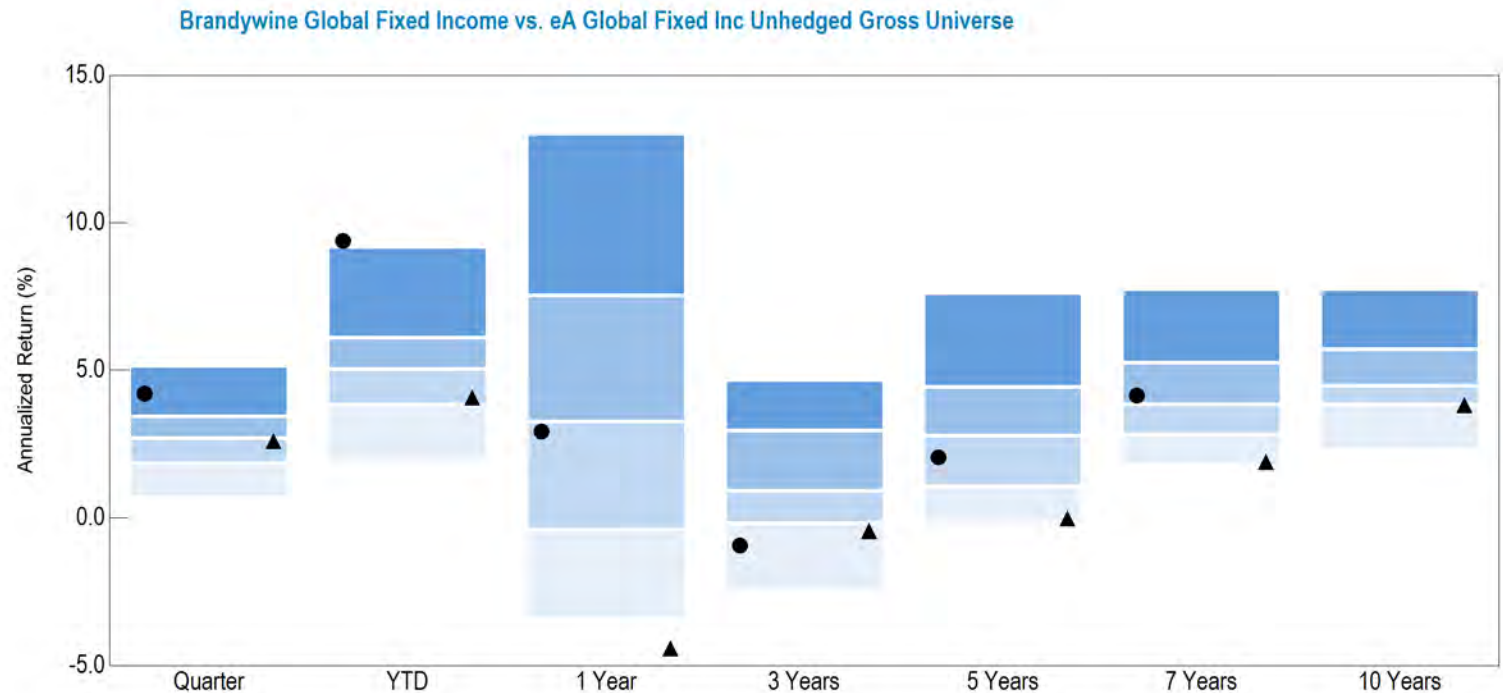
	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Global Fixed</b>	<b>124,343,762</b>	<b>3.5</b>	<b>10.1</b>	<b>4.4</b>	<b>-2.6</b>	<b>0.3</b>	<b>--</b>	<b>5.1</b>	<b>-12.4</b>	<b>-2.8</b>	<b>-4.4</b>	<b>13.1</b>
<i>Citi World Govt Bond Index</i>		2.9	4.5	-4.1	-1.0	-0.2	--	1.6	-3.6	-0.5	-4.0	1.6
Brandywine Global Fixed Income	63,016,491	4.1	9.1	2.5	-1.4	1.5	--	1.7	-9.7	2.4	-2.3	13.1
<i>JPM GBI Global TR USD</i>		2.6	4.1	-4.4	-0.5	0.0	--	1.6	-2.6	0.7	-4.5	1.3
Stone Harbor Local Markets Ins	61,327,271	2.9	11.0	6.4	-3.9	--	--	9.0	-15.1	-8.6	--	--
<i>JPM GBI-EM Global Diversified TR USD</i>		3.6	10.4	6.4	-2.8	--	--	9.9	-14.9	-5.7	--	--

## Correlation Matrix Last 5 Years

	Total Global Fixed	Brandywine Global Fixed Income	Stone Harbor Local Markets Ins	Citi World Govt Bond Index
Total Global Fixed	1.00	--	--	--
Brandywine Global Fixed Income	0.96	1.00	--	--
Stone Harbor Local Markets Ins	--	--	--	--
Citi World Govt Bond Index	0.73	0.81	--	1.00

# Brandywine Global Fixed Income Cumulative Performance Comparison (Gross of Fees)

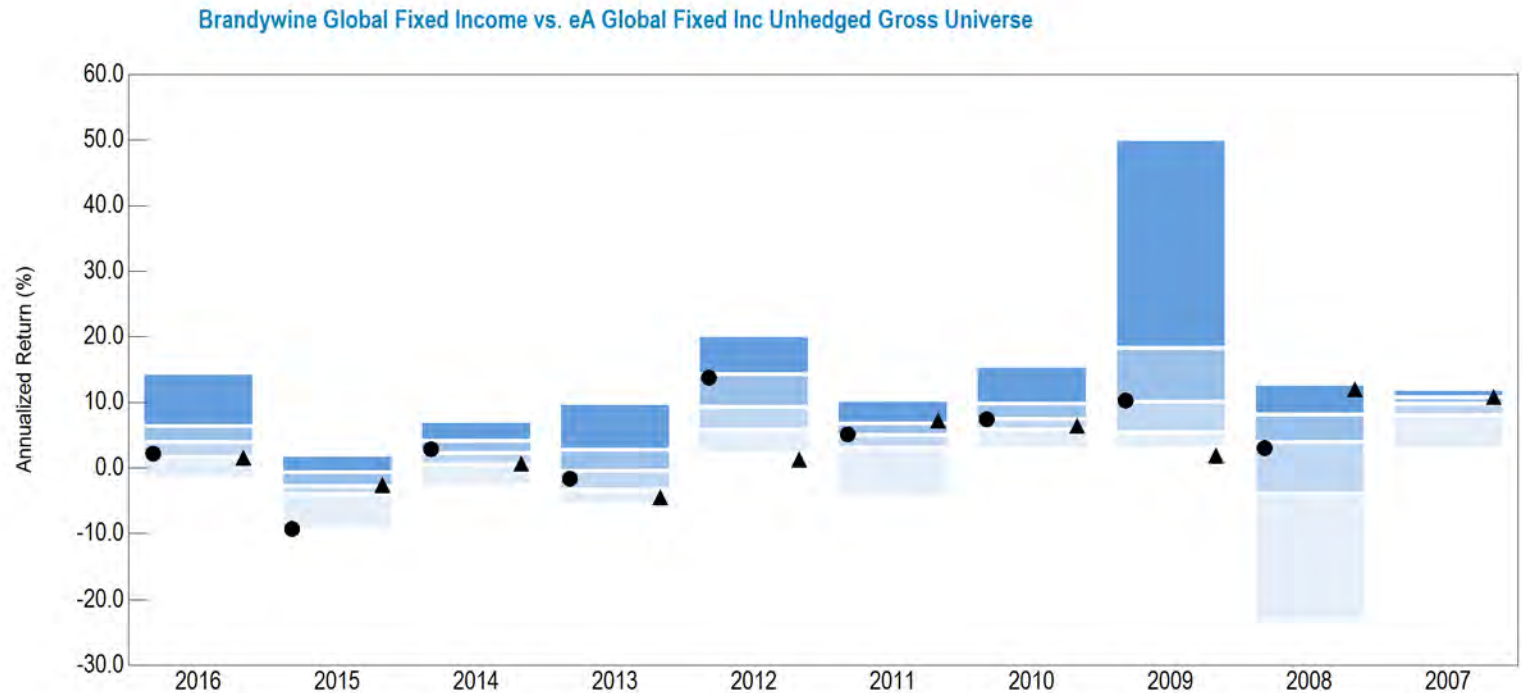
Period Ending: June 30, 2017



	Return (Rank)											
5th Percentile	5.1		9.2		13.0		4.7		7.6		7.8	
25th Percentile	3.4		6.1		7.6		3.0		4.4		5.3	
Median	2.7		5.1		3.3		0.9		2.8		3.9	
75th Percentile	1.9		3.8		-0.4		-0.2		1.1		2.8	
95th Percentile	0.7		1.9		-3.4		-2.5		-0.2		1.8	
# of Portfolios	224		224		224		211		178		144	
● Brandywine Global Fixed Income	4.2	(11)	9.4	(4)	2.9	(54)	-0.9	(88)	2.0	(59)	4.1	(46)
▲ JPM GBI Global TR USD	2.6	(55)	4.1	(72)	-4.4	(99)	-0.5	(82)	0.0	(95)	1.9	(93)
											3.8	(78)

Brandywine Global Fixed Income  
Consecutive Performance Comparison (Gross of Fees)

Period Ending: June 30, 2017

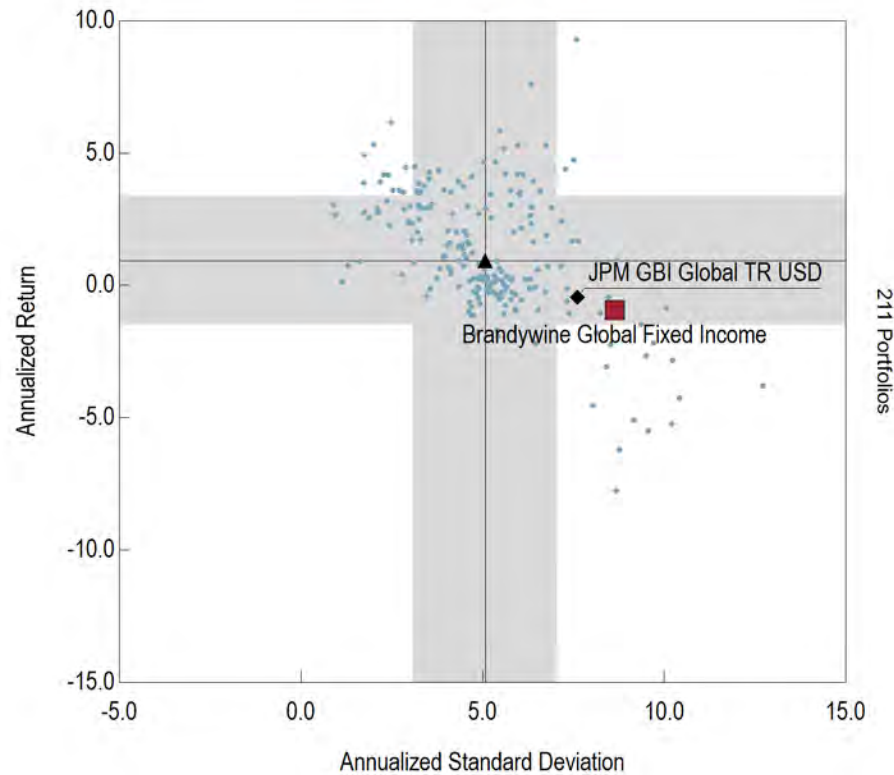


	Return (Rank)									
5th Percentile	14.5	2.0	7.1	9.8	20.2	10.4	15.5	50.1	12.8	12.0
25th Percentile	6.5	-0.6	4.2	2.8	14.3	6.9	9.9	18.4	8.2	10.9
Median	4.0	-2.7	2.3	-0.4	9.4	5.0	7.5	10.1	4.0	9.9
75th Percentile	1.8	-4.0	0.6	-3.2	5.9	3.2	6.0	5.4	-3.8	8.1
95th Percentile	-1.5	-9.2	-2.7	-5.6	2.2	-4.2	3.0	3.2	-23.0	3.0
# of Portfolios	221	189	159	142	118	108	76	72	73	73
● Brandywine Global Fixed Income	2.2 (71)	-9.3 (96)	2.9 (43)	-1.6 (59)	13.8 (30)	5.1 (49)	7.4 (52)	10.3 (49)	3.0 (53)	-- (--)
▲ JPM GBI Global TR USD	1.6 (79)	-2.6 (48)	0.7 (75)	-4.5 (89)	1.3 (98)	7.2 (19)	6.4 (72)	1.9 (99)	12.0 (7)	10.8 (29)

Brandywine Global Fixed Income  
Risk vs Return Three & Five Year (Gross of Fees)

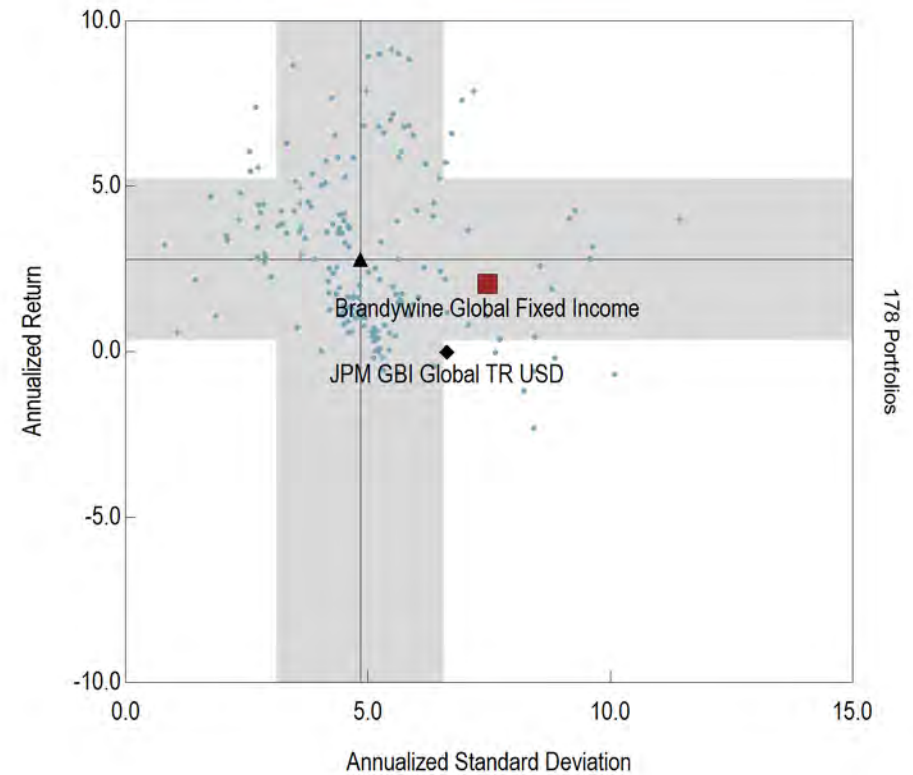
Period Ending: June 30, 2017

Annualized Return vs. Annualized Standard Deviation  
3 Years Ending June 30, 2017

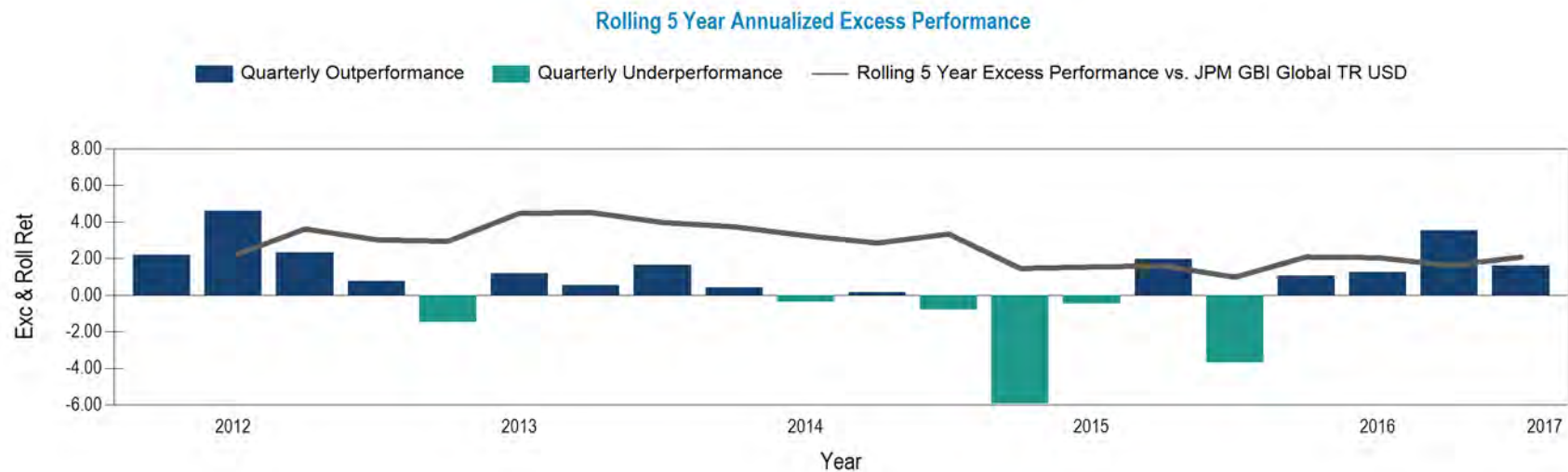
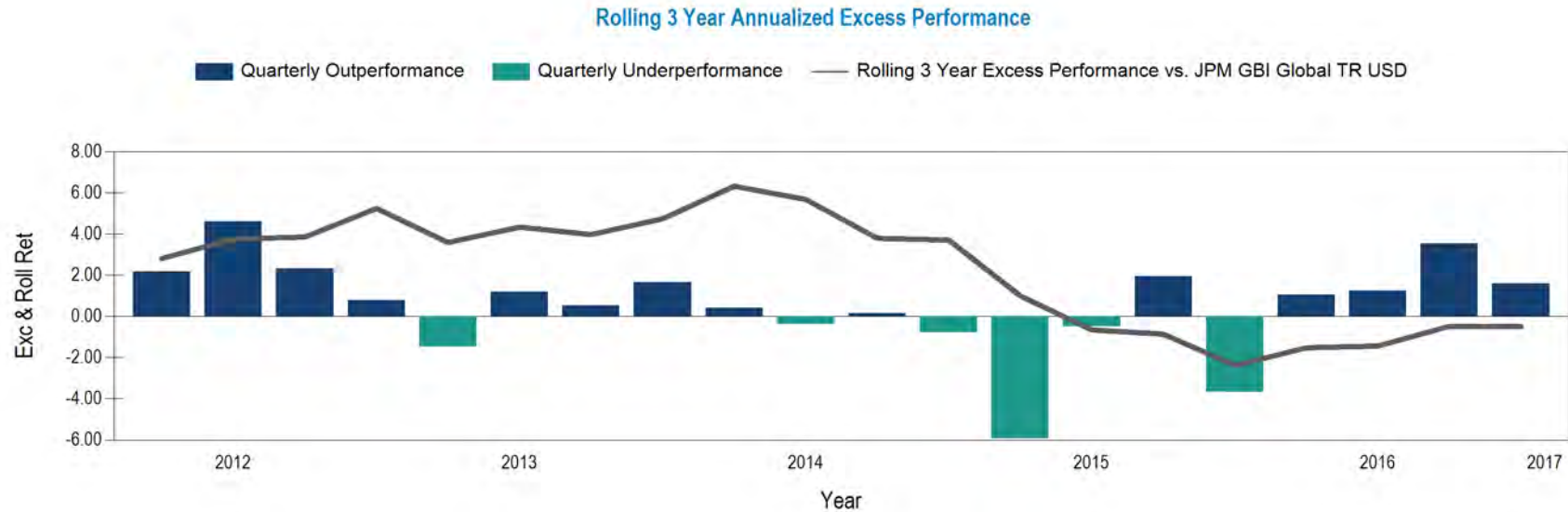


- Brandywine Global Fixed Income
- ◆ JPM GBI Global TR USD
- ▲ Universe Median
- 68% Confidence Interval
- eA Global Fixed Inc Unhedged Gross

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending June 30, 2017



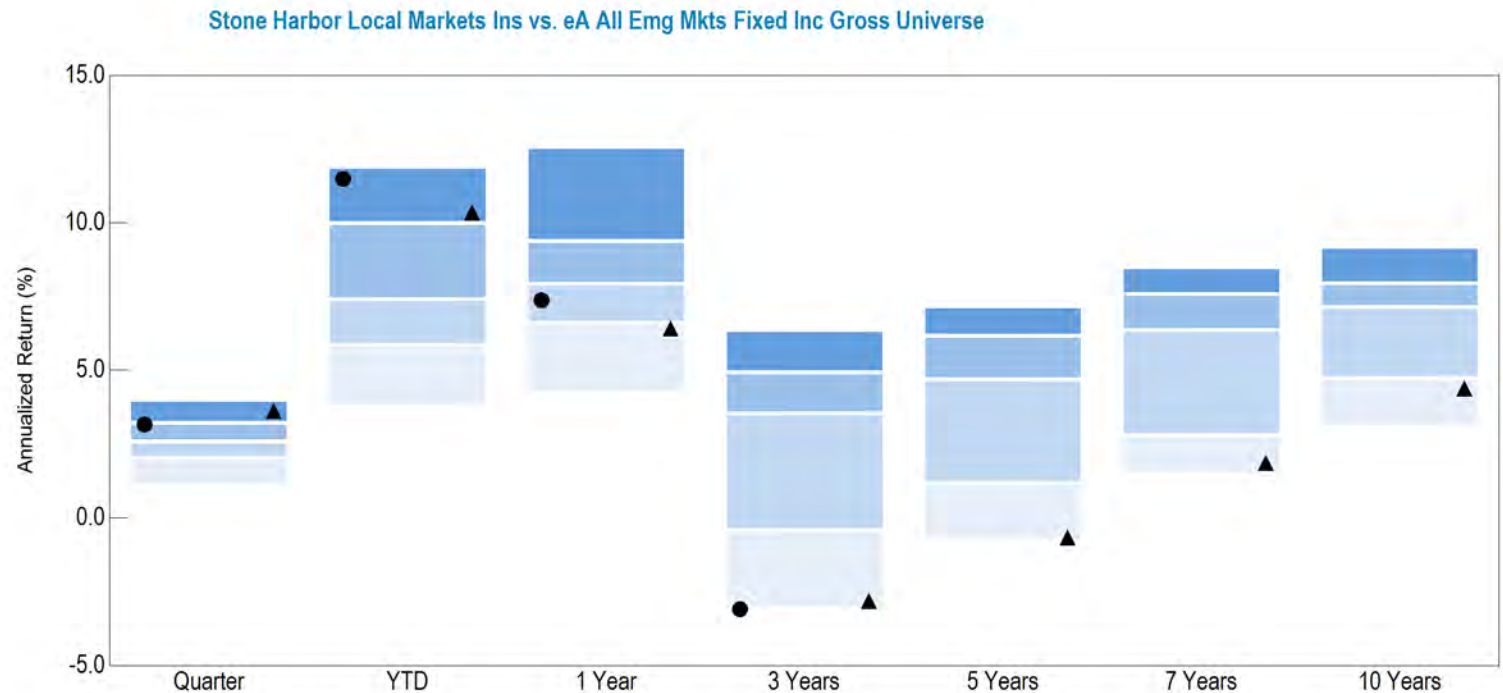
- Brandywine Global Fixed Income
- ◆ JPM GBI Global TR USD
- ▲ Universe Median
- 68% Confidence Interval
- eA Global Fixed Inc Unhedged Gross





Stone Harbor Local Markets Ins  
Cumulative Performance Comparison (Gross of Fees)

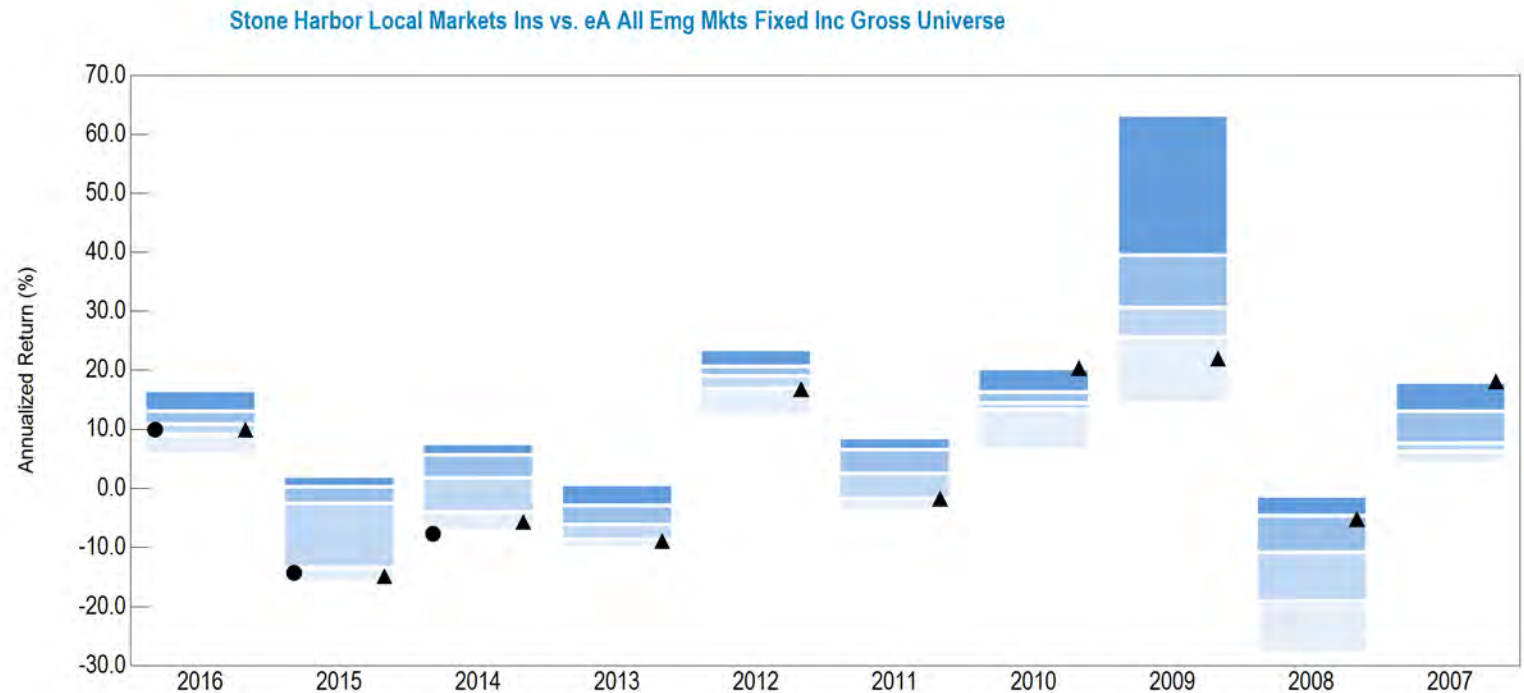
Period Ending: June 30, 2017



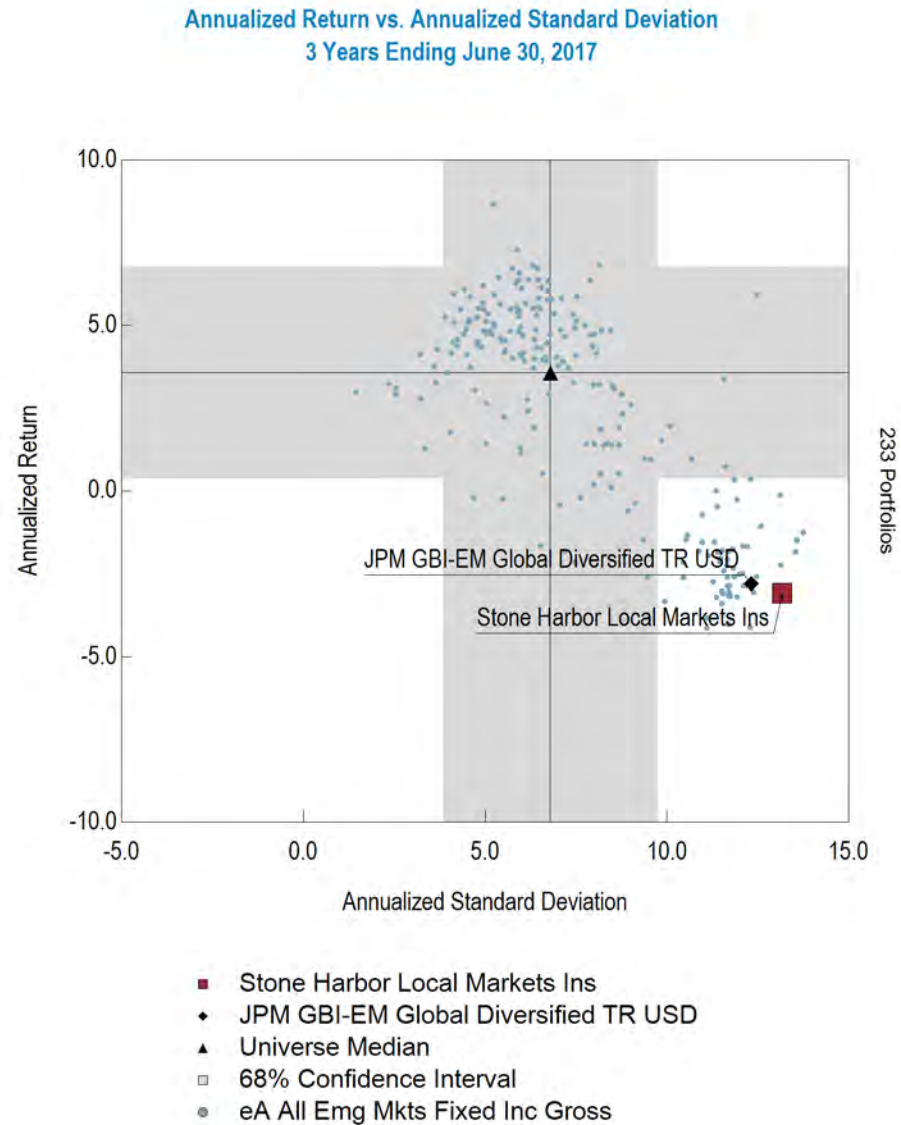
	Return (Rank)											
5th Percentile	4.0		11.9		12.6		6.4		7.2		8.5	
25th Percentile	3.2		10.0		9.4		4.9		6.2		7.6	
Median	2.6		7.4		7.9		3.6		4.7		6.4	
75th Percentile	2.0		5.9		6.6		-0.4		1.2		2.8	
95th Percentile	1.1		3.8		4.3		-3.0		-0.8		1.5	
# of Portfolios	255		255		255		233		185		127	
● Stone Harbor Local Markets Ins	3.2	(27)	11.5	(9)	7.4	(63)	-3.1	(96)	--	(--)	--	(--)
▲ JPM GBI-EM Global Diversified TR USD	3.6	(14)	10.4	(22)	6.4	(79)	-2.8	(93)	-0.7	(94)	1.9	(88)

Stone Harbor Local Markets Ins  
Consecutive Performance Comparison (Gross of Fees)

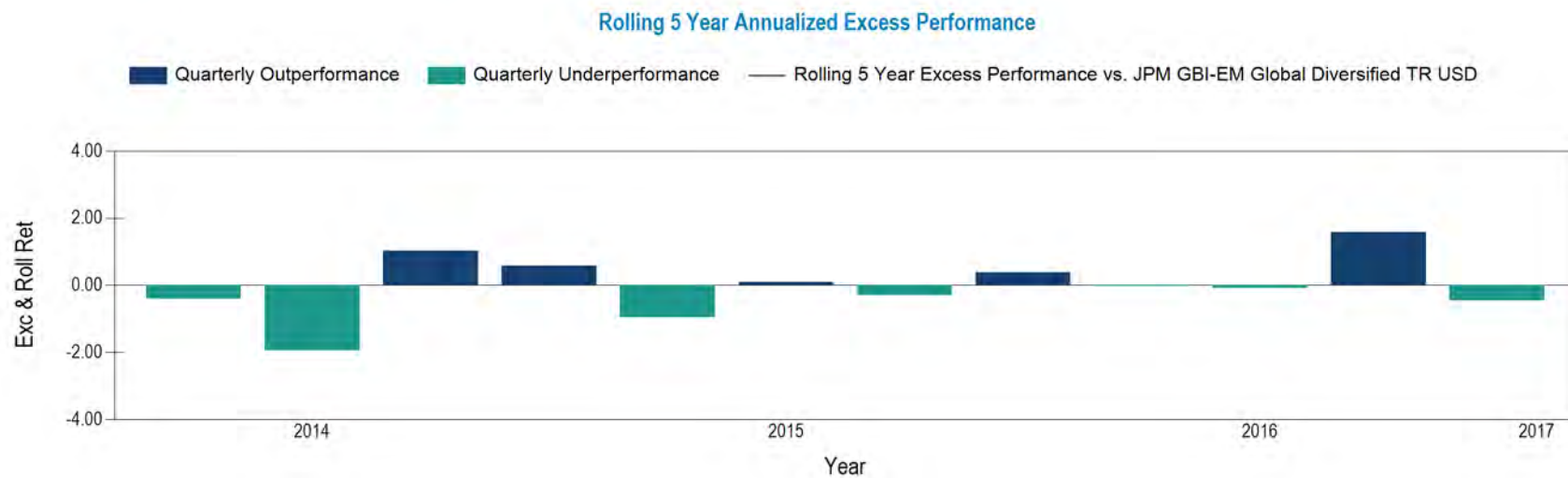
Period Ending: June 30, 2017



	Return (Rank)															
5th Percentile	16.6	2.1	7.6	0.7	23.6	8.6	20.3	63.2	-1.3	18.0						
25th Percentile	13.1	0.3	5.7	-2.9	20.7	6.6	16.3	39.6	-4.6	13.1						
Median	10.9	-2.6	1.8	-6.1	19.1	2.6	14.5	30.7	-10.8	7.7						
75th Percentile	9.2	-13.4	-4.0	-8.6	17.0	-1.6	13.4	25.6	-18.9	6.2						
95th Percentile	5.9	-15.9	-7.2	-10.2	12.5	-3.6	6.6	14.4	-27.7	4.2						
# of Portfolios	247	159	148	129	108	75	55	27	30	25						
● Stone Harbor Local Markets Ins	9.9	(67)	-14.4	(79)	-7.7	(98)	--	(--)	--	(--)	--	(--)	--	(--)	--	(--)
▲ JPM GBI-EM Global Diversified TR USD	9.9	(67)	-14.9	(84)	-5.7	(91)	-9.0	(82)	16.8	(80)	-1.8	(77)	20.4	(5)	22.0	(85)







# Total Real Estate Asset Class Overview (Gross of Fees)

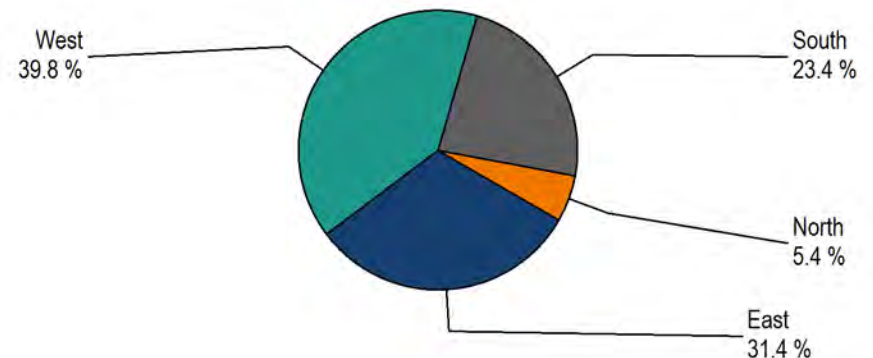
Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Real Estate</b>	<b>170,282,318</b>	<b>1.9</b>	<b>4.2</b>	<b>8.4</b>	<b>11.6</b>	<b>11.7</b>	<b>4.9</b>	<b>7.8</b>	<b>18.0</b>	<b>10.4</b>	<b>12.9</b>	<b>9.8</b>
NCREIF Property Index		1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5
ARA American Strategic Value Realty	11,149,843	0.0	2.7	8.4	--	--	--	--	--	--	--	--
NCREIF-ODCE		1.7	3.5	7.9	--	--	--	--	--	--	--	--
NCREIF Property Index		1.8	3.3	7.0	--	--	--	--	--	--	--	--
Direct Real Estate	12,996,972	6.6	12.4	15.8	14.5	11.5	6.1	5.5	22.9	6.1	5.2	9.2
NCREIF-ODCE		1.7	3.5	7.9	11.3	11.8	5.2	8.8	15.0	12.5	13.9	10.9
NCREIF Property Index		1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5
JP Morgan Core Real Estate	145,917,353	1.3	3.0	7.4	10.6	12.0	--	8.4	15.2	11.2	15.9	12.1
NCREIF-ODCE		1.7	3.5	7.9	11.3	11.8	--	8.8	15.0	12.5	13.9	10.9
NCREIF Property Index		1.8	3.3	7.0	10.2	10.5	--	8.0	13.3	11.8	11.0	10.5
Fidelity Real Estate Growth III	218,151	-33.6	-34.1	-37.6	2.4	8.7	-5.0	1.3	35.8	28.2	20.9	12.1
NCREIF-ODCE		1.7	3.5	7.9	11.3	11.8	5.2	8.8	15.0	12.5	13.9	10.9
NCREIF Property Index		1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5

Property Type Allocation  
Allocation as of June 30, 2017



Geographic Diversification  
Allocation as of June 30, 2017



ARA American Strategic Value Realty funded 6/22/2016. Property Allocation and Geographic Diversification analytics exclude Direct Real Estate and ARA American. Direct Real Estate is lagged one quarter.

# Total Real Estate Asset Class Overview (Net of Fees)

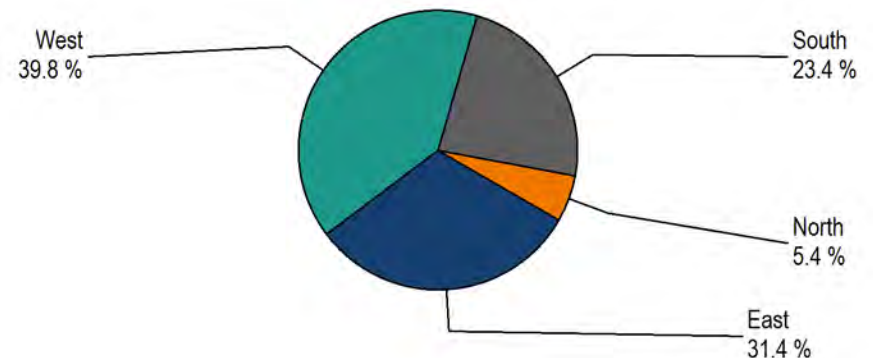
Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Real Estate</b>	<b>170,282,318</b>	<b>1.9</b>	<b>4.2</b>	<b>7.9</b>	<b>10.8</b>	<b>10.9</b>	<b>--</b>	<b>6.8</b>	<b>16.9</b>	<b>9.6</b>	<b>12.1</b>	<b>9.2</b>
NCREIF Property Index		1.8	3.3	7.0	10.2	10.5	--	8.0	13.3	11.8	11.0	10.5
ARA American Strategic Value Realty	11,149,843	0.0	2.7	7.7	--	--	--	--	--	--	--	--
NCREIF-ODCE		1.7	3.5	7.9	--	--	--	--	--	--	--	--
NCREIF Property Index		1.8	3.3	7.0	--	--	--	--	--	--	--	--
Direct Real Estate	12,996,972	6.6	12.4	15.6	14.1	11.3	6.0	4.9	22.2	6.1	5.2	9.2
NCREIF-ODCE		1.7	3.5	7.9	11.3	11.8	5.2	8.8	15.0	12.5	13.9	10.9
NCREIF Property Index		1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5
JP Morgan Core Real Estate	145,917,353	1.3	3.0	6.9	9.7	11.0	--	7.3	14.1	10.0	14.8	11.0
NCREIF-ODCE		1.7	3.5	7.9	11.3	11.8	--	8.8	15.0	12.5	13.9	10.9
NCREIF Property Index		1.8	3.3	7.0	10.2	10.5	--	8.0	13.3	11.8	11.0	10.5
Fidelity Real Estate Growth III	218,151	-33.6	-34.1	-38.0	1.3	7.4	-10.8	-0.1	34.0	26.7	19.3	10.6
NCREIF-ODCE		1.7	3.5	7.9	11.3	11.8	5.2	8.8	15.0	12.5	13.9	10.9
NCREIF Property Index		1.8	3.3	7.0	10.2	10.5	6.4	8.0	13.3	11.8	11.0	10.5

Property Type Allocation  
Allocation as of June 30, 2017



Geographic Diversification  
Allocation as of June 30, 2017



ARA American Strategic Value Realty funded 6/22/2016. Property Allocation and Geographic Diversification analytics exclude Direct Real Estate and ARA American. Direct Real Estate is lagged one quarter.

Total Commodities  
Asset Class Summary (Gross of Fees)

Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Commodities</b>	<b>35,080,077</b>	<b>-3.0</b>	<b>-3.9</b>	<b>-3.5</b>	<b>-14.1</b>	<b>-8.7</b>	<b>--</b>	<b>12.6</b>	<b>-25.2</b>	<b>-16.0</b>	<b>-9.1</b>	<b>-0.9</b>
<i>Bloomberg Commodity Index TR USD</i>		-3.0	-5.3	-6.5	-14.8	-9.2	--	11.8	-24.7	-17.0	-9.5	-1.1
Gresham MTAP Commodity Builder	35,080,077	-3.0	-3.9	-3.5	-14.1	--	--	12.6	-25.2	-16.0	--	--
<i>Bloomberg Commodity Index TR USD</i>		-3.0	-5.3	-6.5	-14.8	--	--	11.8	-24.7	-17.0	--	--

Total Commodities  
Asset Class Summary (Net of Fees)

Period Ending: June 30, 2017

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2016	2015	2014	2013	2012
<b>Total Commodities</b>	<b>35,080,077</b>	<b>-3.0</b>	<b>-3.9</b>	<b>-3.8</b>	<b>-14.6</b>	<b>-9.2</b>	<b>--</b>	<b>11.8</b>	<b>-25.8</b>	<b>-16.6</b>	<b>-9.5</b>	<b>-1.2</b>
<i>Bloomberg Commodity Index TR USD</i>		-3.0	-5.3	-6.5	-14.8	-9.2	--	11.8	-24.7	-17.0	-9.5	-1.1
Gresham MTAP Commodity Builder	35,080,077	-3.0	-3.9	-3.8	-14.6	--	--	11.8	-25.8	-16.6	--	--
<i>Bloomberg Commodity Index TR USD</i>		-3.0	-5.3	-6.5	-14.8	--	--	11.8	-24.7	-17.0	--	--



**Performance Return Calculations**

Performance is calculated using Modified Dietz and for time periods with large cash flow (generally greater than 10% of portfolio value), Time Weighted Rates of Return (TWRR) methodologies. Monthly returns are geometrically linked and annualized for periods longer than one year.

**Data Source**

Verus is an independent third party consulting firm and calculates returns from best source book of record data. Returns calculated by Verus may deviate from those shown by the manager in part, but not limited to, differences in prices and market values reported by the custodian and manager, as well as significant cash flows into or out of an account. It is the responsibility of the manager and custodian to provide insight into the pricing methodologies and any difference in valuation.

**Illiquid Alternatives**

Due to the inability to receive final valuation prior to report production, closed end funds (including but are not limited to Real Estate, Hedge Funds, Private Equity, and Private Credit) performance is typically reported at a one-quarter lag. Valuation is reported at a one-quarter lag, adjusted for current quarter flow (cash flows are captured real time). Closed end fund performance is calculated using a time-weighted return methodology consistent with all portfolio and total fund performance calculations. For Private Markets, performance reports also include Verus-calculated multiples based on flows and valuations (e.g. DPI and TVPI) and manager-provided IRRs.

**Manager Line Up**

Manager	Inception Date	Data Source	Manager	Inception Date	Data Source
SSGA S&P 500 Flagship	2/25/2011	State Street	Stone Harbor Local Markets Ins	7/9/2013	Stone Harbor
PIMCO RAE Fundamental PLUS	11/30/2007	J.P. Morgan	Direct Real Estate	-	American Realty Adv.
Loomis Sayles Large Cap Growth	12/31/2016	J.P. Morgan	JP Morgan Core Real Estate	3/6/2008	J.P. Morgan
Boston Partners Large Cap Value	1/31/2017	Boston Partners	Fidelity Real Estate Growth III	7/31/2007	J.P. Morgan
Atlanta Capital Management	8/31/2010	J.P. Morgan	Gresham MTAP Commodity	8/31/2013	BNY Mellon
Dodge & Cox Intl Stock	12/6/2007	J.P. Morgan	Cash Account	-	SLOCPT
WCM International Growth	2/15/2017	WCM	HarbourVest Partners IX-Buyout	2011 <sup>1</sup>	HarbourVest
BlackRock Core Bond	1/19/2017	J.P. Morgan	KKR Mezzanine Partners	2010 <sup>1</sup>	KKR
Dodge & Cox Income	1/19/2017	Deutsche Bank	PIMCO Distressed Credit Fund	2010 <sup>1</sup>	Brown Brothers Harriman
Pacific Asset Corporate Loan	9/1/2014	Deutsche Bank	ARA American Strategic Value	6/22/2016	American Realty Adv.
SSGA TIPS	7/12/2011	State Street	TPG Diversified Credit Program	2016 <sup>1</sup>	TPG
Brandywine Global Fixed	11/30/2007	J.P. Morgan	Pathway Private Equity Fund 9	2017 <sup>1</sup>	Pathway

<sup>1</sup>Represents fund vintage year.

**Policy & Custom Index Composition**

Policy Index (10/1/2016-Current)	20% Russell 3000, 20% MSCI ACWI ex-US (Gross), 30% BBgBarc U.S. Aggregate, 15% NCREIF Property Index, 5% Bloomberg Commodity Index, 5% Russell 3000+ 300 bps, 5% BBgBarc High Yield +2% (lagged).
Policy Index (7/1/2014-9/30/2016)	23% Russell 3000, 22% MSCI ACWI ex-US (Gross), 35% BBgBarc U.S. Aggregate, 10% NCREIF Property Index, 5% Bloomberg Commodity Index, 5% Russell 3000+ 300 bps.
Policy Index (7/1/2013-6/30/2014)	27% Russell 3000, 23% MSCI ACWI ex-US (Gross), 30% BBgBarc U.S. Aggregate, 10% NCREIF Property Index, 5% Bloomberg Commodity Index, 5% Russell 3000+ 300 bps.
Policy Index (4/1/2011-6/30/2013)	27% Russell 3000, 23% MSCI ACWI ex-US (Gross), 20% BBgBarc U.S. Aggregate, 5% Citi World Gov't Bond, 5% Barclays US TIPS, 10%

# Glossary

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**Allocation Effect:** An attribution effect that describes the amount attributable to the managers' asset allocation decisions, relative to the benchmark.

**Alpha:** The excess return of a portfolio after adjusting for market risk. This excess return is attributable to the selection skill of the portfolio manager. Alpha is calculated as:  $\text{Portfolio Return} - [\text{Risk-free Rate} + \text{Portfolio Beta} \times (\text{Market Return} - \text{Risk-free Rate})]$ .

**Benchmark R-squared:** Measures how well the Benchmark return series fits the manager's return series. The higher the Benchmark R-squared, the more appropriate the benchmark is for the manager.

**Beta:** A measure of systematic, or market risk; the part of risk in a portfolio or security that is attributable to general market movements. Beta is calculated by dividing the covariance of a security by the variance of the market.

**Book-to-Market:** The ratio of book value per share to market price per share. Growth managers typically have low book-to-market ratios while value managers typically have high book-to-market ratios.

**Capture Ratio:** A statistical measure of an investment manager's overall performance in up or down markets. The capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen (up market) or fallen (down market). The capture ratio is calculated by dividing the manager's returns by the returns of the index during the up/down market, and multiplying that factor by 100.

**Correlation:** A measure of the relative movement of returns of one security or asset class relative to another over time. A correlation of 1 means the returns of two securities move in lock step, a correlation of -1 means the returns of two securities move in the exact opposite direction over time. Correlation is used as a measure to help maximize the benefits of diversification when constructing an investment portfolio.

**Excess Return:** A measure of the difference in appreciation or depreciation in the price of an investment compared to its benchmark, over a given time period. This is usually expressed as a percentage and may be annualized over a number of years or represent a single period.

**Information Ratio:** A measure of a manager's ability to earn excess return without incurring additional risk. Information ratio is calculated as: excess return divided by tracking error.

**Interaction Effect:** An attribution effect that describes the portion of active management that is contributable to the cross interaction between the allocation and selection effect. This can also be explained as an effect that cannot be easily traced to a source.

**Portfolio Turnover:** The percentage of a portfolio that is sold and replaced (turned over) during a given time period. Low portfolio turnover is indicative of a buy and hold strategy while high portfolio turnover implies a more active form of management.

**Price-to-Earnings Ratio (P/E):** Also called the earnings multiplier, it is calculated by dividing the price of a company's stock into earnings per share. Growth managers typically hold stocks with high price-to-earnings ratios whereas value managers hold stocks with low price-to-earnings ratios.

**R-Squared:** Also called the coefficient of determination, it measures the amount of variation in one variable explained by variations in another, i.e., the goodness of fit to a benchmark. In the case of investments, the term is used to explain the amount of variation in a security or portfolio explained by movements in the market or the portfolio's benchmark.

**Selection Effect:** An attribution effect that describes the amount attributable to the managers' stock selection decisions, relative to the benchmark.

**Sharpe Ratio:** A measure of portfolio efficiency. The Sharpe Ratio indicates excess portfolio return for each unit of risk associated with achieving the excess return. The higher the Sharpe Ratio, the more efficient the portfolio. Sharpe ratio is calculated as:  $\text{Portfolio Excess Return} / \text{Portfolio Standard Deviation}$ .

**Sortino Ratio:** Measures the risk-adjusted return of an investment, portfolio, or strategy. It is a modification of the Sharpe Ratio, but penalizes only those returns falling below a specified benchmark. The Sortino Ratio uses downside deviation in the denominator rather than standard deviation, like the Sharpe Ratio.

**Standard Deviation:** A measure of volatility, or risk, inherent in a security or portfolio. The standard deviation of a series is a measure of the extent to which observations in the series differ from the arithmetic mean of the series. For example, if a security has an average annual rate of return of 10% and a standard deviation of 5%, then two-thirds of the time, one would expect to receive an annual rate of return between 5% and 15%.

**Style Analysis:** A return based analysis designed to identify combinations of passive investments to closely replicate the performance of funds

**Style Map:** A specialized form or scatter plot chart typically used to show where a Manager lies in relation to a set of style indices on a two-dimensional plane. This is simply a way of viewing the asset loadings in a different context. The coordinates are calculated by rescaling the asset loadings to range from -1 to 1 on each axis and are dependent on the Style Indices comprising the Map.

## Disclaimer

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Verus receives universe data from InvestorForce, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.



## Board of Trustees

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Date: August 28, 2017

To: Board of Trustees

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

### **Agenda Item 12: Investment Report for July 2017**

	July	Year to Date 2017	2016	2015	2014	2013
Total Trust Investments (\$ 000s)	\$1,321,109		\$1,196,775 year end	\$1,148,315 year end	\$1,190,316 year end	\$1,131,022 year end
<b>Total Fund Return</b>	1.9% Gross	<b>10.2%</b> Gross	6.6 % Gross	-0.8 % Gross	5.1 % Gross	13.8% Gross
Policy Index Return (r)	1.5%	7.9%	7.7 %	-0.5 %	5.2 %	13.4%

(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 Economy:**

Some of the significant factors in the global economy for July and into mid-August have been –

- **Fed Policy** – The Fed continued with its path of 2017 rate increases. After the Fed's June 14<sup>th</sup> 0.25% increase in the fed funds rate to a target range of 1.00% to 1.25%, the Fed made no change at its July meeting. The Fed continued to indicate it will pursue balance sheet normalization through the gradual unwinding of holdings from years of quantitative easing. At its August meeting in Jackson Hole one of the Fed's most notable communications was Fed Chair Janet Yellen's emphatic defense of the increased regulation of the financial system post

2008. Her position defended the 2010 Dodd-Frank law as necessary to limit excesses in the banking system. With Yellen's term as Chair ending in February 2018 there is speculation that President Trump may replace her with a Fed Chair more inclined towards a deregulation agenda.

- **Economic Growth - US:** US GDP growth in 2Q17 came in at a 2.6% is forecast to come in at a 2.4% real rate following the 1Q17 increase at a 1.2% rate. Consumer confidence and spending continue as positives on the domestic economic front. Market expectations of stimulative fiscal policy (e.g., tax reform and infrastructure spending) are awaiting actual developments out of Washington.
- **Economic Growth - Global:** Global growth rates in developed markets are not deviating from their modest, but positive rates in the last year. Eurozone optimism is generally positive with record strength in Germany, but with decreasing expectations for Britain post-Brexit. Emerging market growth is still expected to provide much of the improvement expected in 2017 GDP growth. Chinese growth continues strong with a trailing year GDP growth rate of 6.8%.
- **Employment -** The US unemployment rate fell slightly in July from 4.4% to 4.3%. After the June new jobs report of a robust increase of +222k new jobs, July came in with an above expectation +209k new jobs. The drop in unemployment occurred despite a small increase in the labor force participation rate to 62.9%. Wage growth remained constrained despite the low unemployment rate with a trailing year average wage increase of 2.5%.

### **Investment Markets:**

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of July. The robust capital market returns year to date have been aided by generally above-benchmark returns from SLOCPT's investment managers.

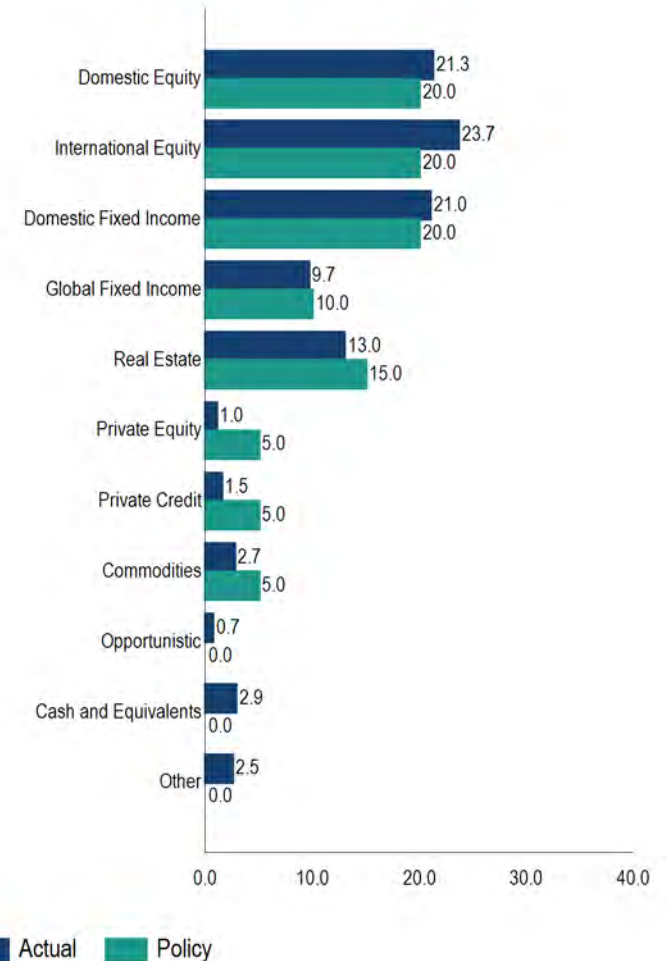
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: July 31, 2017

	Market Value	% of Portfolio	1 Mo	QTD	YTD
<b>Total Fund</b>	<b>1,321,108,958</b>	<b>100.0</b>	<b>1.9</b>	<b>1.9</b>	<b>10.2</b>
Total Fund ex Clifton	1,287,692,640	97.5	1.9	1.9	10.0
Policy Index			1.5	1.5	7.9
<b>Total Domestic Equity</b>	<b>280,743,676</b>	<b>21.3</b>	<b>2.2</b>	<b>2.2</b>	<b>13.3</b>
Russell 3000			1.9	1.9	11.0
SSGA S&P 500 Flag.	11,432,753	0.9	2.1	2.1	11.6
S&P 500			2.1	2.1	11.6
PIMCO RAE Fundamental PLUS Instl	52,981,492	4.0	1.7	1.7	6.2
S&P 500			2.1	2.1	11.6
Loomis Sayles Large Cap Growth	85,310,338	6.5	3.3	3.3	22.1
Russell 1000 Growth			2.7	2.7	17.0
Boston Partners Large Cap Value	75,148,116	5.7	1.4	1.4	--
Russell 1000 Value			1.3	1.3	--
Atlanta Capital Mgmt	55,870,977	4.2	2.0	2.0	13.4
Russell 2500			1.0	1.0	7.1
<b>Total International Equity</b>	<b>312,502,160</b>	<b>23.7</b>	<b>3.5</b>	<b>3.5</b>	<b>19.7</b>
MSCI ACWI ex USA Gross			3.7	3.7	18.7
Dodge & Cox Intl Stock	165,830,675	12.6	4.4	4.4	20.0
MSCI EAFE Gross			2.9	2.9	17.5
WCM International Growth	146,671,485	11.1	2.4	2.4	--
MSCI ACWI ex USA Gross			3.7	3.7	--
<b>Total Domestic Fixed Income</b>	<b>277,667,618</b>	<b>21.0</b>	<b>0.7</b>	<b>0.7</b>	<b>2.9</b>
BBgBarc US Aggregate TR			0.4	0.4	2.7
BlackRock Core Bond	94,706,112	7.2	0.5	0.5	--
BBgBarc US Aggregate TR			0.4	0.4	--
Dodge & Cox Income Fund	96,434,665	7.3	0.8	0.8	--
BBgBarc US Aggregate TR			0.4	0.4	--
Pacific Asset Corporate Loan	67,536,788	5.1	0.7	0.7	2.8
S&P/LSTA Leveraged Loan Index			0.7	0.7	2.6
SSGA TIPS	18,977,566	1.4	0.5	0.5	1.3
BBgBarc US TIPS TR			0.4	0.4	1.3

Actual vs Target Allocation (%)



\*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 6/30/2017 +/- 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. PIMCO Core Plus liquidated 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. All data is preliminary.

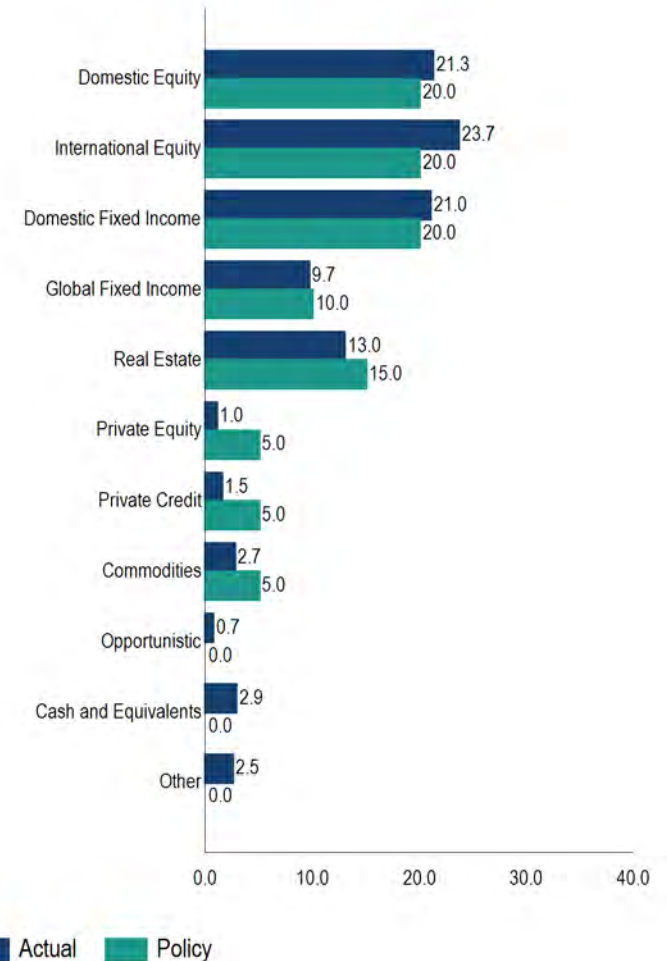
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: July 31, 2017

	Market Value	% of Portfolio	1 Mo	QTD	YTD
<b>Total Global Fixed</b>	<b>127,770,548</b>	<b>9.7</b>	<b>2.8</b>	<b>2.8</b>	<b>13.5</b>
<i>Citi World Govt Bond Index</i>			1.9	1.9	6.4
Brandywine Global Fixed Income	64,976,451	4.9	3.1	3.1	12.8
<i>JPM GBI Global TR USD</i>			1.7	1.7	5.8
Stone Harbor Local Markets Ins	62,794,096	4.8	2.5	2.5	14.2
<i>JPM GBI-EM Global Diversified TR USD</i>			2.1	2.1	12.6
<b>Total Real Estate</b>	<b>171,748,117</b>	<b>13.0</b>	<b>0.8</b>	<b>0.8</b>	<b>5.0</b>
<i>NCREIF Property Index</i>			0.0	0.0	3.3
ARA American Strategic Value Realty	11,414,694	0.9	2.4	2.4	5.2
<i>NCREIF-ODCE</i>			0.0	0.0	3.5
<i>NCREIF Property Index</i>			0.0	0.0	3.3
Direct Real Estate	13,213,242	1.0	1.7	1.7	14.4
<i>NCREIF-ODCE</i>			0.0	0.0	3.5
<i>NCREIF Property Index</i>			0.0	0.0	3.3
JP Morgan Core Real Estate	146,899,078	11.1	0.6	0.6	3.6
<i>NCREIF-ODCE</i>			0.0	0.0	3.5
<i>NCREIF Property Index</i>			0.0	0.0	3.3
Fidelity Real Estate Growth III	221,103	0.0	1.4	1.4	-33.2
<i>NCREIF-ODCE</i>			0.0	0.0	3.5
<i>NCREIF Property Index</i>			0.0	0.0	3.3
<b>Total Commodities</b>	<b>35,940,078</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>-1.6</b>
<i>Bloomberg Commodity Index TR USD</i>			2.3	2.3	-3.1
Gresham MTAP Commodity Builder	35,940,078	2.7	2.5	2.5	-1.6
<i>Bloomberg Commodity Index TR USD</i>			2.3	2.3	-3.1
<b>Total Private Equity</b>	<b>13,795,539</b>	<b>1.0</b>			
Harbourvest Partners IX Buyout Fund L.P.	12,385,369	0.9			
Pathway Private Equity Fund Investors 9 L.P.	1,410,170	0.1			
<i>Russell 3000 +3%</i>					

Actual vs Target Allocation (%)



\*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 6/30/2017 +/- 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. PIMCO Core Plus liquidated 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. All data is preliminary.

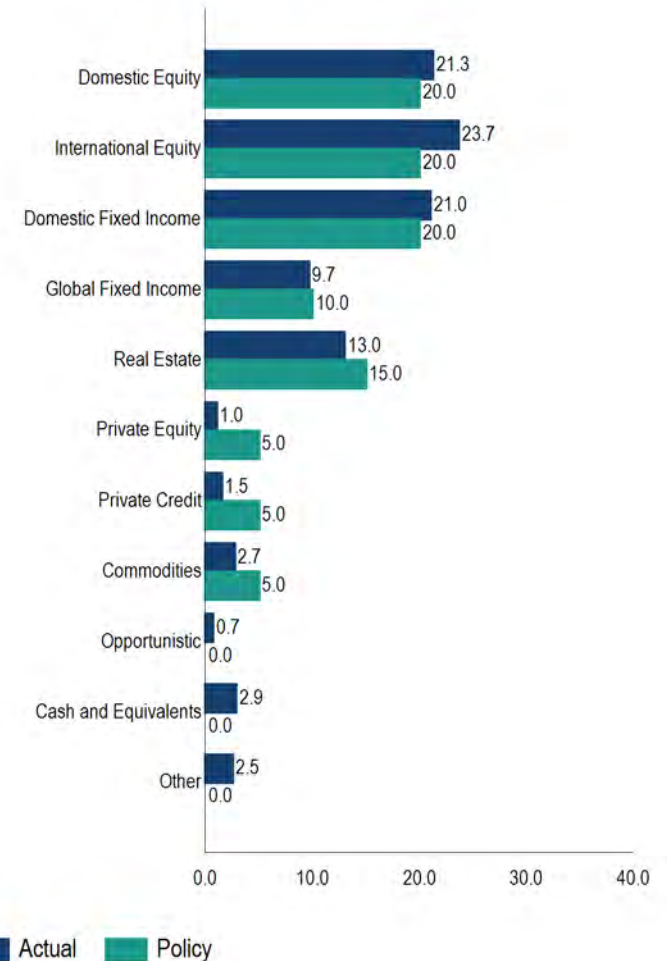
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: July 31, 2017

	Market Value	% of Portfolio	1 Mo	QTD	YTD
<b>Total Private Credit</b>	<b>20,121,037</b>	<b>1.5</b>			
TPG Diversified Credit Program	20,121,037	1.5			
BBgBarc High Yield +2% (Lagged)					
<b>Total Cash</b>	<b>37,945,443</b>	<b>2.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>
91 Day T-Bills			0.1	0.1	0.5
Cash Account	37,945,443	2.9	0.0	0.0	0.6
91 Day T-Bills			0.1	0.1	0.5
<b>Total Opportunistic</b>	<b>9,458,424</b>	<b>0.7</b>			
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	8,267,444	0.6			
PIMCO Distressed Credit Fund	1,190,980	0.1			
CPI + 5%					

Actual vs Target Allocation (%)



\*Other balance represents Clifton Group.

Policy Index (10/1/2016): 20% Russell 3000, 20% MSCI ACWI ex. US, 30% BBgBarc Aggregate, 15% NCREIF Property, 5% Bloomberg Commodity, 5% Russell 3000 + 300 bp, 5% BBgBarc High Yield + 200 bp lagged. Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation. ARA American funded 6/22/2016. ARA American and Direct Real Estate MVs as of 6/30/2017 +/- 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. PIMCO Core Plus liquidated 1/6/2017. BlackRock Core Bond funded 1/19/2017. Dodge & Cox Income Fund funded 1/19/2017. Boston Partners funded 2/1/2017. WCM Intl Growth replaced Vontobel on 2/15/2017. Pathway 9 funded 4/7/2017. All data is preliminary.

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**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

JULY 2017  
Capital Markets Update



# Market commentary

## ECONOMIC CLIMATE

- Real GDP grew at 2.1% YoY in the second quarter (2.6% QoQ annualized), above first quarter's growth rate of 2.0% YoY (1.2% QoQ annualized). Growth was mainly attributed to consumer spending, which increased at a 2.8% annualized rate.
- On July 26<sup>th</sup>, the FOMC voted unanimously to keep the fed funds rate unchanged at a target range of 1.00% - 1.25%. The committee reaffirmed that balance sheet normalization was a priority and would begin "relatively soon".
- Headline CPI increased by 1.6% YoY in June, down 30 bps from May, mainly affected by lower energy prices. Core CPI increased by 1.7% YoY, unchanged from the prior month. The effect of lower vehicle prices offset positive price inflation in prescription drugs and hospital services.
- Nominal wages grew at a slightly lower rate in the second quarter, as average hourly earnings in the private sector rose by 2.5% YoY, below the first quarter growth rate of 2.6%.
- The U.S. added 209,000 nonfarm jobs in July, above the consensus estimate of 178,000. The unemployment rate decreased from 4.4% to 4.3% despite a 0.1% increase in the labor participation rate, which ended the month at 62.9%.

## DOMESTIC EQUITIES

- Domestic equities rose for a ninth consecutive month in July - the S&P 500 returned 2.1%.
- As of August 11<sup>th</sup>, 91% of S&P 500 companies had reported second quarter earnings. According to FactSet, the blended Q2 earnings growth rate was 10.2% YoY, well above the June 30<sup>th</sup> estimate of 6.4%.

## DOMESTIC FIXED INCOME

- Domestic fixed income returns were positive in July as the Bloomberg Barclays U.S. Aggregate Index returned 0.4%.
- U.S. high yield option-adjusted spreads continued downward, falling by 16 bps in July to 3.6%, the lowest mark since May of 2014.
- The U.S. Treasury curve was materially unchanged in July. The 10-year Treasury yield ended the month at 2.30%.

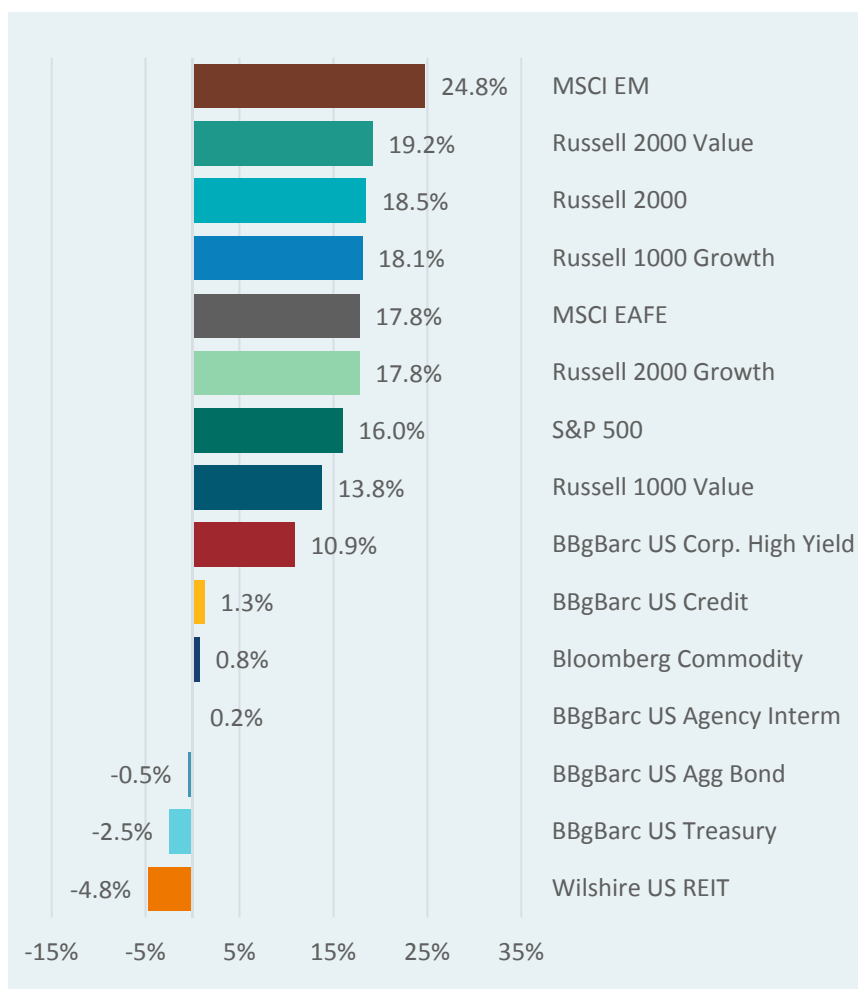
## INTERNATIONAL MARKETS

- International equities outperformed domestic equities in July (S&P 500 +2.1%) as the unhedged MSCI ACWI ex U.S. returned 3.7%. The unhedged index outperformed the hedged (+1.7%) over the month due to depreciation of the U.S. dollar.
- Eurozone core inflation rose 1.2% YoY in July, 10 bps higher than the previous month and above consensus expectations of 1.1%. Headline inflation increased by 1.3%, unchanged from the prior month, and well below the recent high in February of 2.0%.
- German business sentiment hit a record high in July, as the IFO Business Climate index rose to 116 in the month. The survey was bolstered by optimism in manufacturing, wholesaling and construction.
- The BOE cut both economic and wage growth forecasts, citing lower confidence in a positive outcome from the Brexit negotiations. Real GDP growth expectations for 2018 were cut from 1.9% to 1.7%.
- Chinese Q2 real GDP was 6.9% YoY (7.0% QoQ annualized), above the consensus estimate of 6.8%. Industrial production also surprised to the upside, expanding 7.6% in June from the prior year, above the consensus estimate of 6.5%.



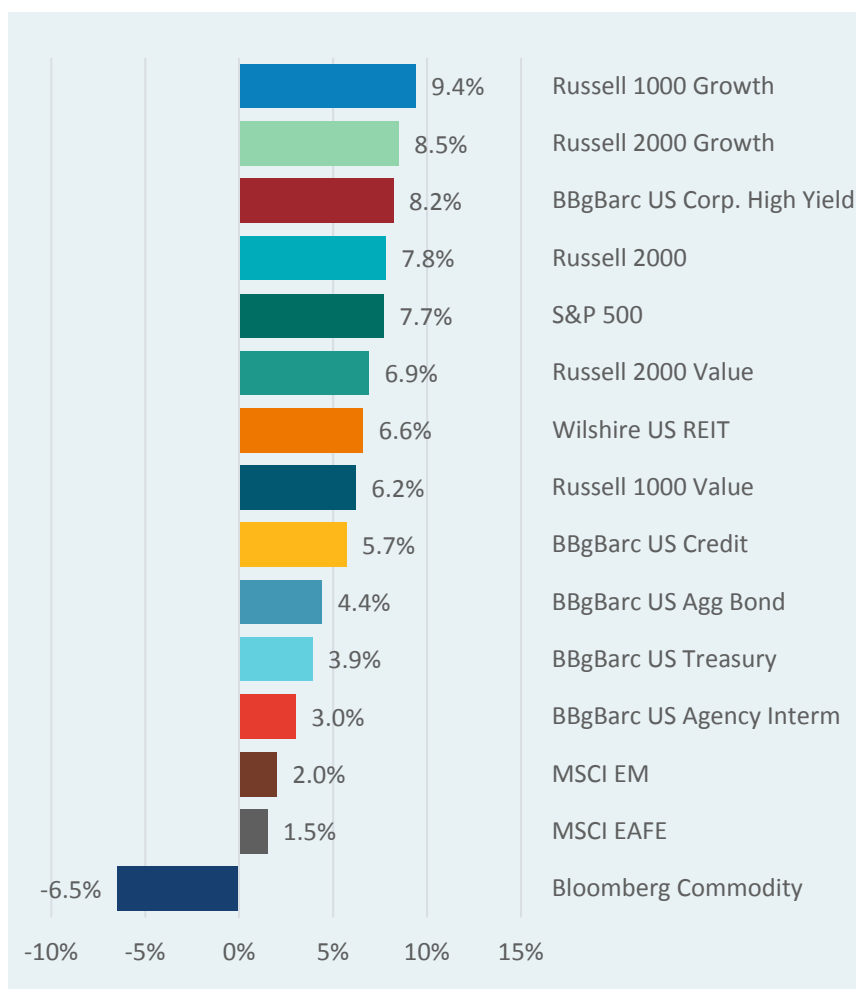
# Major asset class returns

ONE YEAR ENDING JULY



Source: Morningstar, as of 7/31/17

TEN YEARS ENDING JULY

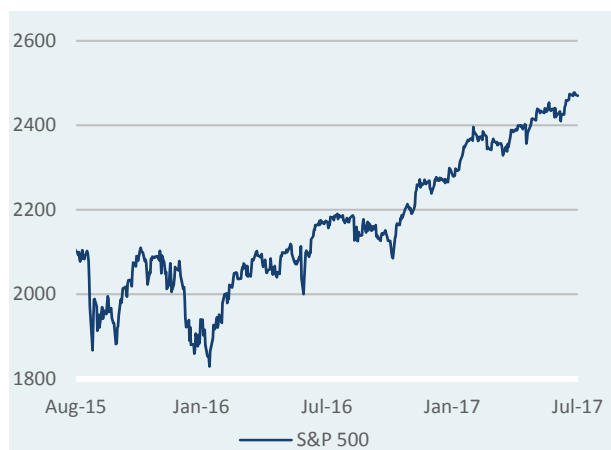


Source: Morningstar, as of 7/31/17

# U.S. large cap equities

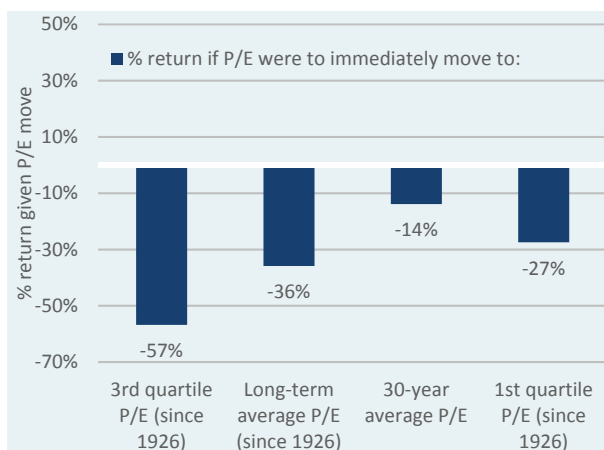
- Large cap equities provided positive returns in July, as the S&P 500 returned 2.1% in the month.
- According to FactSet, as of August 11<sup>th</sup>, 91% of companies in the S&P 500 had reported earnings and the blended Q2 earnings and sales growth rates were 10.2% and 5.1% YoY, respectively. Energy, Information Technology and Financials led all other sectors with the highest earnings and revenue growth.
- Telecommunication equities made up ground in July after a series of positive earnings reports, outperforming the broad index (+2.1%) and returning 6.4% in July. The sector performance remains negative year-to-date at -5.1%.
- Information Technology was the second highest returning sector in July (+4.3%) and the highest year-to-date (+22.3%). The sector's revenue growth was 8.8% in the second quarter, with 81% of companies reporting revenue above their consensus estimates.

**U.S. LARGE CAP EQUITIES**



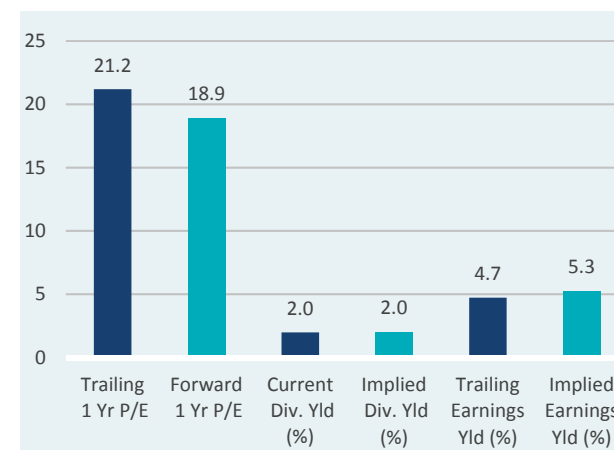
Source: Bloomberg, as of 7/31/17

**RETURNS IF TRAILING P/E MOVED TO HISTORIC LEVEL**



Source: Yale/Shiller, Verus, as of 7/31/17

**S&P 500 VALUATION SNAPSHOT**

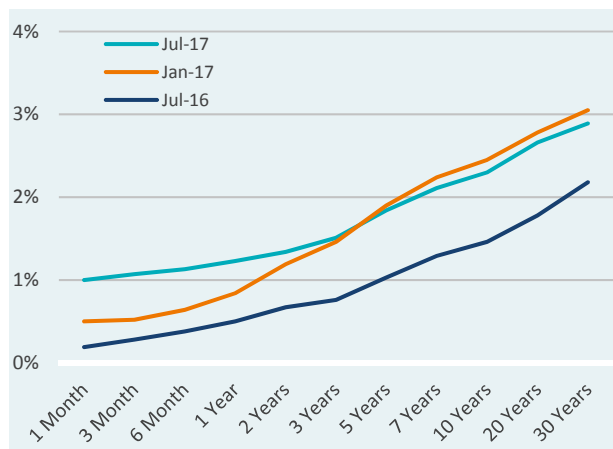


Source: Bloomberg, as of 7/31/17

# Fixed income

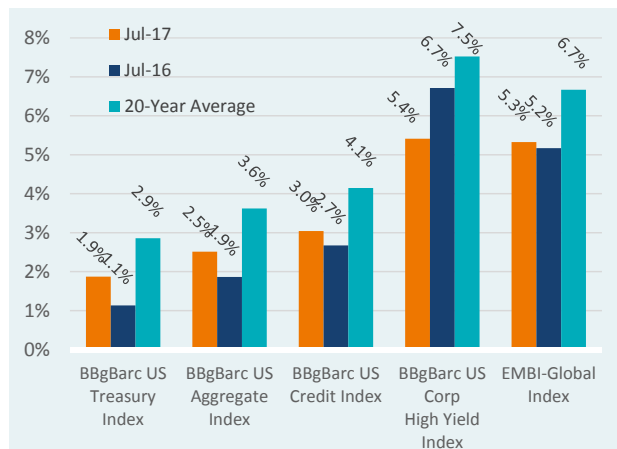
- In July, the Bloomberg Barclays U.S. Corp. High Yield index (+1.1%) outperformed the broad U.S. Aggregate Bond index (+0.4%). The sector benefitted from higher carry and a moderate reduction in high yield option-adjusted spreads (-16 bps to 3.6%).
- In July, a decrease in real 10-year Treasury yields (-10 bps) was offset by an increase in inflation expectations (+9 bps) and resulted in nominal rates that were materially unchanged over the period.
- On July 27<sup>th</sup>, it was announced that the London Interbank Offered Rate (LIBOR), a widely used benchmark for short-term rates, would be phased out by 2021 following a series of manipulation scandals. According to the BOE, an estimated \$350 trillion in financial products utilize the benchmark.

**U.S. TREASURY YIELD CURVE**



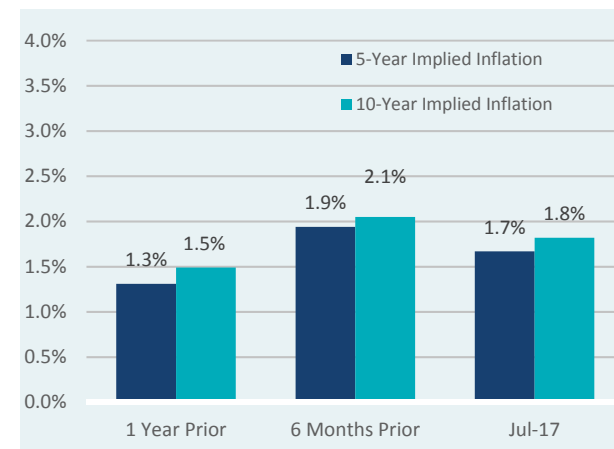
Source: Federal Reserve, as of 7/31/17

**NOMINAL FIXED INCOME YIELDS**



Source: Morningstar, as of 7/31/17

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

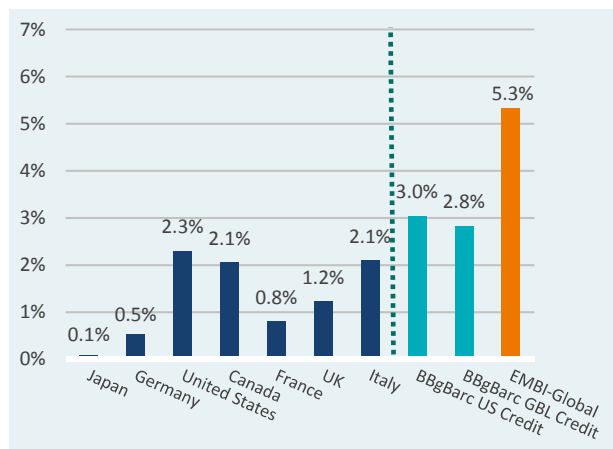


Source: Federal Reserve, as of 7/31/17

# Global markets

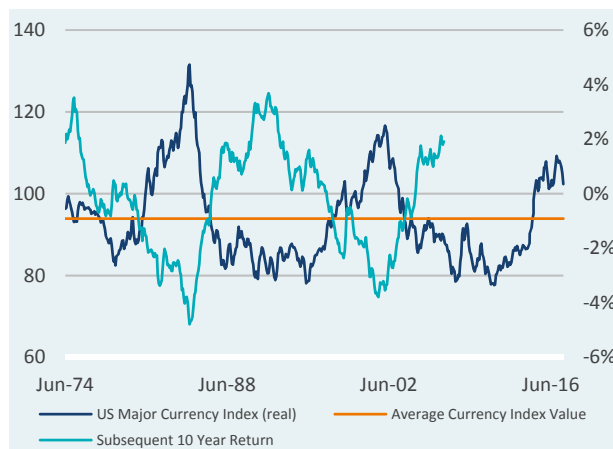
- Emerging market equities outperformed developed international equities in July, as the MSCI EM index and the MSCI ACWI ex U.S. index returned 6.0% and 3.7%, respectively (4.7% and 1.7% hedged).
- Global sovereign bond yields were generally unchanged in July after broad increases in global rates during the prior month. Canada was the exception after their central bank raised its benchmark rate for the first time in seven years. The Canadian 10-year yield rose by 30 bps in the month to 2.06%.
- According to J.P. Morgan, with two-thirds of developed nation's earnings reported, Japanese companies have delivered the highest year-over-year second quarter earnings growth (25% - TOPIX), followed by Europe (13% - STOXX 600) and the U.S. (10% - S&P 500).
- The U.S. dollar major currency index decreased by -2.5% to 102.3 in July against a trade weighted basket of currencies. The index has fallen -6.3% year-to-date but remains above its long-term average of 93.9.

**GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS**



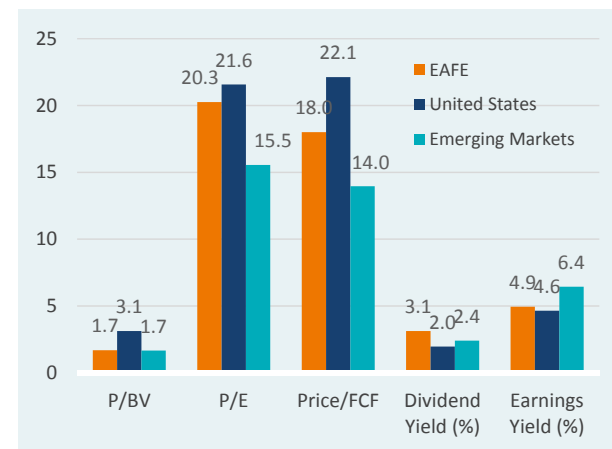
Source: Morningstar, as of 7/31/17

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



Source: Federal Reserve, as of 7/31/17

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

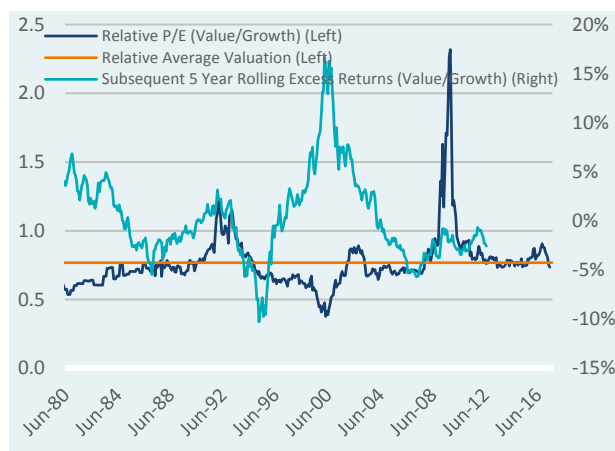


Source: Bloomberg, as of 7/31/17

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

- Growth equities outperformed value in July, as the Russell 1000 Growth and Russell 1000 Value returned 2.7% and 1.3%, respectively. Growth companies have outperformed value by 11.0% year-to-date.
- Growth equities benefited from a higher relative concentration to the Technology sector. The Russell 1000 Technology sub-index returned 3.9% in the month.
- The relative trailing P/E ratio of value to growth equities decreased to 0.74 in July. The ratio was pushed lower as the Russell 1000 Growth P/E ratio increased to 25.7, its highest since 2002.

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



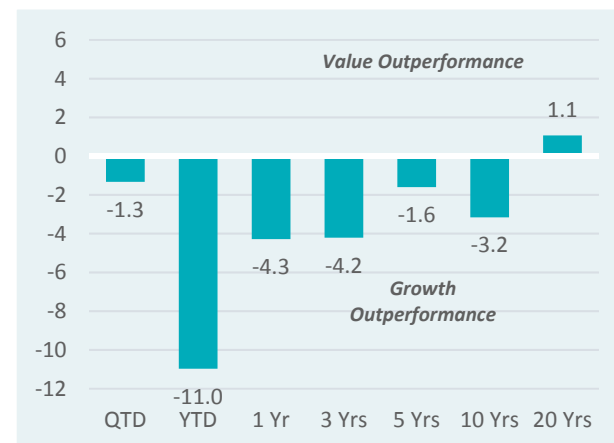
Source: Russell, Bloomberg, as of 7/31/17

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

	RUSSELL 1000 VALUE	RUSSELL 1000 GROWTH
	ANNUALIZED RETURN TO DATE %	ANNUALIZED RETURN TO DATE %
QTD	1.3	2.7
YTD	6.0	17.0
1 YEAR	13.8	18.1
3 YEARS	8.5	12.7
5 YEARS	14.0	15.6
10 YEARS	6.2	9.4
20 YEARS	7.4	6.3
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.80	1.12
5 YEARS	1.36	1.47
10 YEARS	0.43	0.63
20 YEARS	0.41	0.32

Source: Morningstar, as of 7/31/17

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

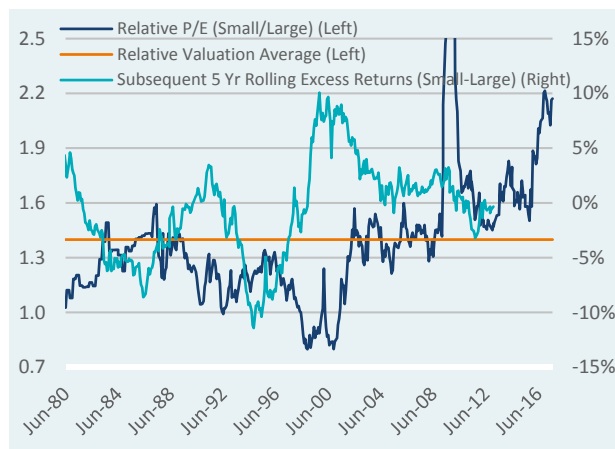


Source: Morningstar, as of 7/31/17

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

- U.S. large cap equities outperformed small cap equities in July, as the Russell 1000 index and Russell 2000 index returned 2.0% and 0.7%, respectively.
- Large cap equities have provided superior risk-adjusted returns relative to small cap equities over all time periods examined below.
- The recent outperformance of U.S. large cap companies (+5.7% year-to-date) was partially attributable to the U.S. dollar weakness against major currencies (-6.3% year-to-date) and the corresponding effects on international trade that disproportionately favor large corporations.
- The relative trailing P/E ratio of small to large cap equities was elevated in July, increasing slightly from 2.16 to 2.17 in the month. The ratio remains well above its long-term average of 1.40.

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



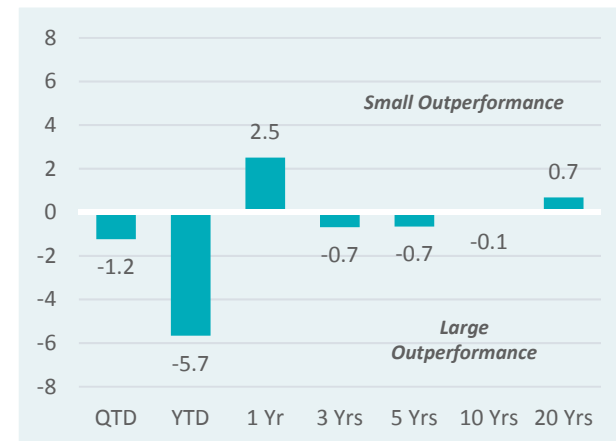
Source: Russell, Bloomberg, as of 7/31/17

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

	RUSSELL 1000 INDEX	RUSSELL 2000 INDEX
	ANNUALIZED RETURN TO DATE %	ANNUALIZED RETURN TO DATE %
QTD	2.0	0.7
YTD	11.4	5.8
1 YEAR	16.0	18.5
3 YEARS	10.6	9.9
5 YEARS	14.8	14.2
10 YEARS	7.8	7.8
20 YEARS	7.1	7.8
	SHARPE RATIO	SHARPE RATIO
3 YEARS	1.00	0.69
5 YEARS	1.47	1.02
10 YEARS	0.54	0.45
20 YEARS	0.39	0.37

Source: Morningstar, as of 7/31/17

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



Source: Morningstar, as of 7/31/17

# Commodities

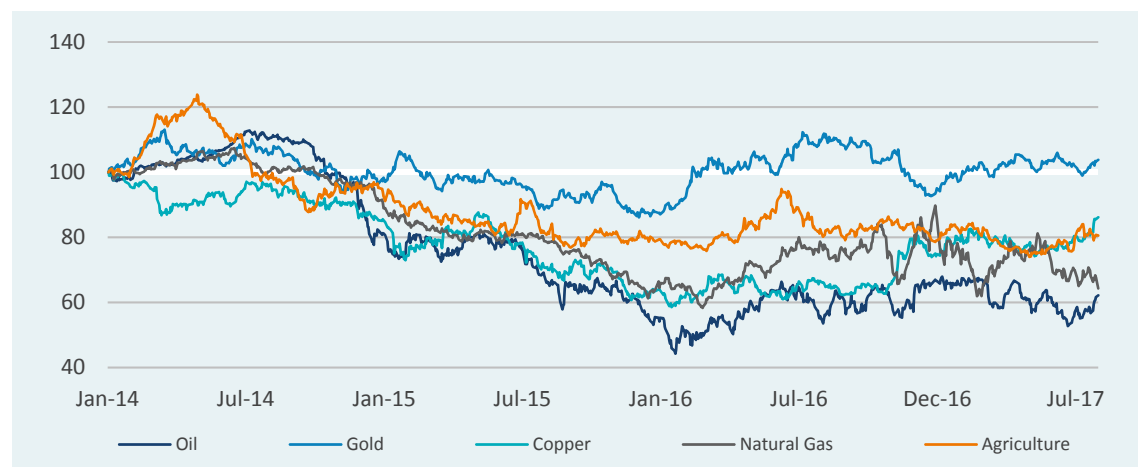
- In July, the Bloomberg Commodity index reversed its recent downward trend and returned a positive 2.3%.
- The Bloomberg Industrial Metals sub-index returned 4.1%. The move was largely influenced by an increase in copper prices, which rose by 6.7% during the month and ended at \$289.15 per pound. Strong demand from China and reduced supply expectations aided the July rally.
- The Bloomberg Petroleum sub-index outperformed the broad index and returned 9.2%. The rally was influenced by high seasonal demand and a coincident 9.6 million barrel reduction in U.S. gasoline inventories.
- WTI Crude Oil prices increased by 9.0% and ended the month at \$50.17 per barrel. U.S. crude oil inventories fell by 21 million barrels and ended the month at 482 million barrels.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	2.3	2.3	(3.1)	0.8	(12.7)	(10.0)	(6.5)
Bloomberg Agriculture	0.9	0.9	(2.5)	(5.3)	(7.8)	(10.8)	(1.8)
Bloomberg Energy	4.6	4.6	(16.3)	(0.2)	(28.9)	(17.9)	(17.6)
Bloomberg Grains	(2.3)	(2.3)	0.6	(2.1)	(8.4)	(13.3)	(2.9)
Bloomberg Industrial Metals	4.1	4.1	10.7	18.6	(5.1)	(3.5)	(6.1)
Bloomberg Livestock	(4.8)	(4.8)	6.0	11.0	(8.0)	(2.5)	(7.7)
Bloomberg Petroleum	9.2	9.2	(10.7)	10.2	(29.0)	(16.7)	(11.9)
Bloomberg Precious Metals	1.8	1.8	8.1	(10.7)	(2.7)	(6.7)	4.9
Bloomberg Softs	7.3	7.3	(12.4)	(16.3)	(10.2)	(10.5)	(2.6)

Source: Morningstar, as of 7/31/17

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 7/31/17

# Appendix



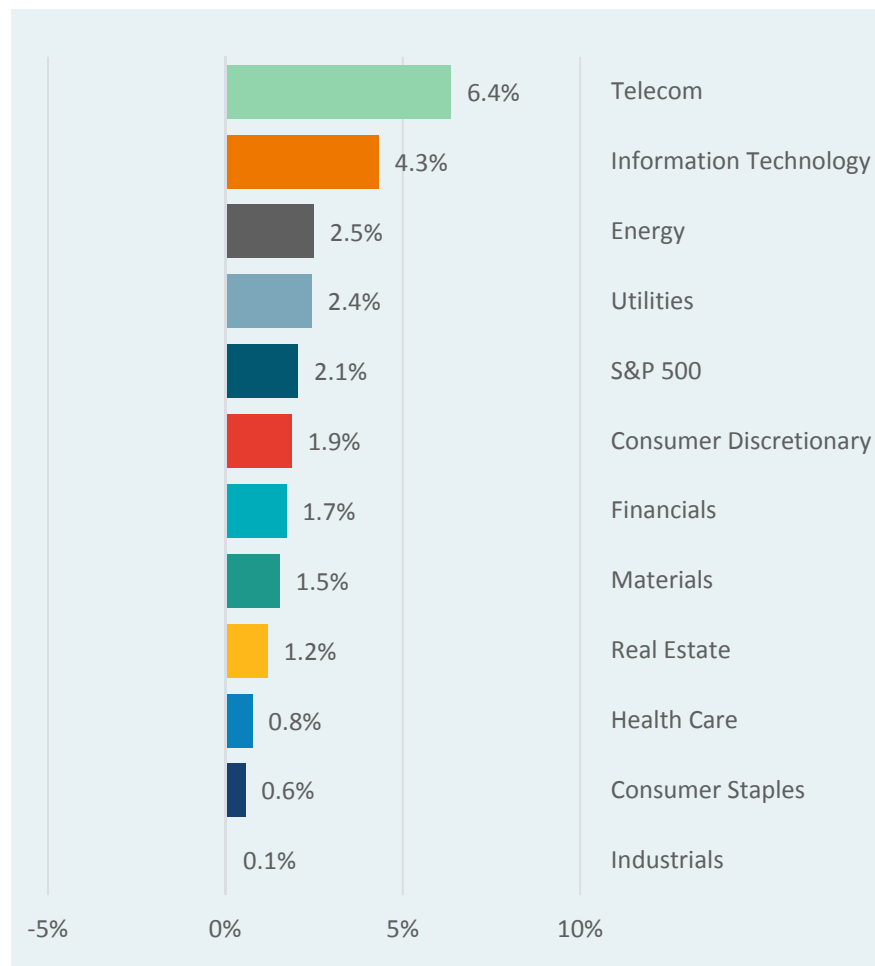
# Periodic table of returns

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	5-Year	10-Year	
BEST	Emerging Markets Equity	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	13.3	31.7	25.5	15.6	9.4	
	International Equity	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	17.1	14.8	8.5
	Large Cap Growth	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	17.0	14.6	7.8
	Large Cap Equity	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	11.4	14.2	7.8
	60/40 Global Portfolio	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	11.2	14.0	6.9
	Small Cap Growth	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	10.9	13.8	6.4
	Large Cap Value	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	6.0	10.5	6.2
	Small Cap Equity	-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	8.0	5.8	9.1	4.4
	Hedge Funds of Funds	-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	7.1	4.2	6.9	4.3
	Real Estate	-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	3.3	4.8	2.0
	US Bonds	-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	2.7	3.9	1.5
	Small Cap Value	-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	1.2	2.0	0.9
	Cash	-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	0.5	0.2	0.4
	Commodities	-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	-3.1	-10.0	-6.5
WORST																											
	Large Cap Equity																										
	Large Cap Value																										
	Large Cap Growth																										
	Small Cap Equity																										
	Small Cap Value																										
	Small Cap Growth																										
	International Equity																										
	Emerging Markets Equity																										
	US Bonds																										
	Cash																										
	Commodities																										
	Real Estate																										
	Hedge Funds of Funds																										
	60% MSCI ACWI/40% BBgBarc Global Bond																										

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 6/30/17.

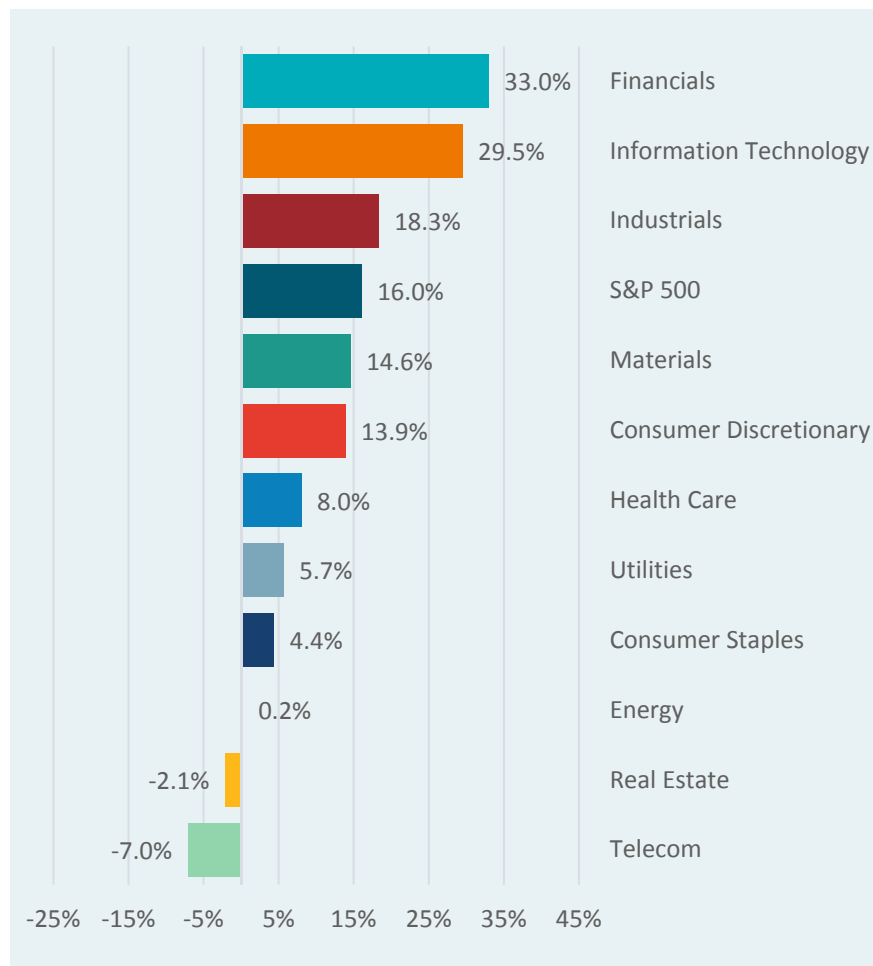
# S&P 500 sector returns

QTD



Source: Morningstar, as of 7/31/17

ONE YEAR ENDING JULY



Source: Morningstar, as of 7/31/17

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	2.1	2.1	11.6	16.0	10.9	14.8	7.7
S&P 500 Equal Weighted	1.6	1.6	9.8	14.3	10.0	15.8	9.0
DJ Industrial Average	2.7	2.7	12.3	21.8	12.5	13.8	8.0
Russell Top 200	2.2	2.2	12.2	17.1	11.1	14.8	7.7
Russell 1000	2.0	2.0	11.4	16.0	10.6	14.8	7.8
Russell 2000	0.7	0.7	5.8	18.5	9.9	14.2	7.8
Russell 3000	1.9	1.9	11.0	16.1	10.5	14.8	7.8
Russell Mid Cap	1.5	1.5	9.6	13.0	9.3	15.0	8.2
<b>Style Index</b>							
Russell 1000 Growth	2.7	2.7	17.0	18.1	12.7	15.6	9.4
Russell 1000 Value	1.3	1.3	6.0	13.8	8.5	14.0	6.2
Russell 2000 Growth	0.9	0.9	10.9	17.8	10.2	14.6	8.5
Russell 2000 Value	0.6	0.6	1.2	19.2	9.5	13.8	6.9

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	2.8	2.8	14.6	17.1	6.2	10.9	4.2
MSCI ACWI ex US	3.7	3.7	18.3	19.0	2.4	7.7	1.5
MSCI EAFE	2.9	2.9	17.1	17.8	2.8	9.1	1.5
MSCI EM	6.0	6.0	25.5	24.8	2.4	4.8	2.0
MSCI EAFE Small Cap	3.6	3.6	20.9	20.3	7.7	13.7	3.8
<b>Style Index</b>							
MSCI EAFE Growth	2.4	2.4	19.5	13.0	4.4	9.3	2.4
MSCI EAFE Value	3.3	3.3	14.8	22.7	1.1	8.7	0.5
<b>Regional Index</b>							
MSCI UK	2.6	2.6	12.8	13.1	(1.7)	5.6	0.8
MSCI Japan	2.0	2.0	12.1	14.2	6.0	10.5	1.4
MSCI Euro	3.7	3.7	20.9	25.5	3.3	11.1	0.1
MSCI EM Asia	5.6	5.6	30.1	28.8	5.7	8.5	3.6
MSCI EM Latin American	8.3	8.3	19.2	18.0	(4.4)	(2.5)	(0.5)

Source: Morningstar, as of 7/31/17

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
BBgBarc US Treasury US TIPS	0.4	0.4	1.3	(1.0)	0.8	(0.0)	4.1
BBgBarc US Treasury Bills	0.1	0.1	0.4	0.5	0.3	0.2	0.6
BBgBarc US Agg Bond	0.4	0.4	2.7	(0.5)	2.7	2.0	4.4
<b>Duration</b>							
BBgBarc US Treasury 1-3 Yr	0.2	0.2	0.7	0.2	0.8	0.6	1.9
BBgBarc US Treasury Long	(0.6)	(0.6)	4.8	(9.8)	5.2	2.0	7.0
BBgBarc US Treasury	0.2	0.2	2.0	(2.5)	2.1	1.1	3.9
<b>Issuer</b>							
BBgBarc US MBS	0.5	0.5	1.8	0.2	2.5	1.9	4.3
BBgBarc US Corp. High Yield	1.1	1.1	6.1	10.9	5.3	6.7	8.2
BBgBarc US Agency Interim	0.3	0.3	1.3	0.2	1.5	1.1	3.0
BBgBarc US Credit	0.7	0.7	4.4	1.3	3.7	3.3	5.7

## OTHER

<b>Index</b>							
Bloomberg Commodity	2.3	2.3	(3.1)	0.8	(12.7)	(10.0)	(6.5)
Wilshire US REIT	1.1	1.1	2.9	(4.8)	8.7	9.2	6.6
CS Leveraged Loans	0.8	0.8	2.8	6.8	3.8	4.8	4.6
<b>Regional Index</b>							
JPM EMBI Global Div	0.8	0.8	7.1	5.0	5.5	5.1	7.6
JPM GBI-EM Global Div	2.1	2.1	12.6	8.0	(1.8)	(0.7)	4.1
<b>Hedge Funds</b>							
HFRI Composite	1.2	1.2	4.8	7.2	3.1	4.9	3.1
HFRI FOF Composite	1.1	1.1	4.2	5.9	2.0	3.9	0.9
<b>Currency (Spot)</b>							
Euro	3.4	3.4	11.8	5.4	(4.1)	(0.9)	(1.5)
Pound	1.5	1.5	6.7	(0.7)	(7.9)	(3.4)	(4.2)
Yen	1.7	1.7	5.6	(7.2)	(2.4)	(6.7)	0.7

# Definitions

**German IFO Business Climate Index** – The Ifo Business Climate Index is based on ca. 7,000 monthly survey responses from firms in manufacturing, construction, wholesaling and retailing. The firms are asked to give their assessments of the current business situation and their expectations for the next six months. They can characterise their situation as “good”, “satisfactory” or “poor” and their business expectations for the next six months as “more favourable”, “unchanged” or “more unfavourable”. (<https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate.html>)

# 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).

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## Board of Trustees

1000 Mill Street  
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Phone: (805) 781-5465  
Fax: (805) 781-5697  
www.SLOPensionTrust.org



Date: August 28, 2017

To: Board of Trustees

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

### **Agenda Item Number 13: Commission Recapture Program Termination**

#### **Recommendation:**

Staff recommends that the Board of Trustees approve the termination of the existing Commission Recapture Program agreement with Cowen Plan Sponsor Services, Inc.

#### **Background:**

In June 2008 the Board of Trustees, along with the hiring of a new custodian bank (J.P. Morgan), approved the hiring of Lynch, Jones & Ryan to provide commission recapture services as an operational efficiency item. Through subsequent corporate mergers this service was provided until recently by Convergen Execution Solutions, LLC. As of June 1, 2017 an additional corporate acquisition led to this service being transferred to Cowen Plan Sponsor Services, Inc. The various name changes and transfers of this service to successor providers are not at issue here and are not part of the recommendation to terminate this service. They are only noted to link the original hiring of Lynch, Jones & Ryan to the present provider, Cowen.

Commission recapture services are brokerage arrangements where a fund employing external investment managers makes available a service that “recaptures” a portion of the commissions paid in the course of normal trading of investments and remits those recaptured commissions back to the fund. The selection of which broker to use for trading is at the discretion of the investment manager who bears the end responsibility for securing best-execution costs for investment trades. The commission recapture arrangement is merely available to investment managers to use if in their opinion it provides best execution of trades. The use of a commission recapture arrangement is relevant only to separate accounts where the trades are attributable to only one fund so recaptured commissions can be remitted properly. Commission recapture arrangements do not apply to commingled fund investments where the investment manager is seeking best execution of trades for a group of asset owners, not a specific fund.

The use of the Convergenx / Cowen commission recapture service for the SLOCPT was limited to a portion of the trades done by Mason Capital for separate accounts of the SLOCPT.

The other equity separate account based investment manager employed by the Pension Trust is Atlanta Capital. Atlanta Capital, as a small/mid cap manager has not chosen to use the Convergenx / Cowen commission recapture service. When asked about these services, Michael Jaje of Atlanta Capital responded –

“It has been our experience, however, to see more and more clients ending commission recapture relationships, especially within Small Cap and SMID Cap mandates. When we implement trades, we utilize a number of low-cost solutions like algorithmic trading pools that are extremely efficient from both a trade implementation and commission cost basis. As trading costs have come down due to these new trading platforms, I think that many clients find that using recapture programs may not be as advantageous as it once was (it is amazing how technology continues to drive execution costs down). I would also point out that clients who use recapture are not included in our block trades (they trade separately on the recapture desk). This can cause a recapture client to be excluded from an execution when we find a natural buyer/seller on the other side of the trade.

In summary, especially within Small and SMID Cap markets, I think that our first choice would be to be able to trade the SLOCPT account within our normal trading blocks. However, we are absolutely happy to support and implement any recapture opportunities that you and your board may wish to pursue.”

With the departure of Mason Capital from the SLOCPT’s roster of managers and the use of other investment managers in commingled funds, the current Convergenx/Cowen program is inactive. This action can be viewed as a minor bit of housekeeping in SLOCPT’s investments.

Scott Whalen of Verus agrees with the recommendation to terminate the current commission recapture program.



## Board of Trustees

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Date: August 28, 2017

To: Board of Trustees

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

### **Agenda Item 14: Investment Education – Currency Management**

Staff and Verus as the Pension Trust's investment consultant periodically provide investment education presentations for the Board of Trustees. Scott Whalen of Verus will deliver the attached presentation on the topic of Currency Management. This is an educational session for discussion purposes only at this point.

Scott Whalen introduces his presentation with the following:

“Any institutional investor with exposure to international assets faces a certain amount of uncompensated currency risk. Hedging can reduce or eliminate this risk, but one must take into account the associated explicit cost. Verus will explore with the Board different approaches to addressing currency risk and discuss alternatives, which may be preferable to either simply accepting uncompensated currency risk or applying a static hedging program. Verus will also explain other non-quantifiable risks that arise from these alternative approaches and other things the Board should consider in determining how best to approach the currency management problem.”



# **PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS**



**MAY 2017**

San Luis Obispo County Pension Trust

**Approaches to the currency investment decision**

# Framing the currency problem

# What is currency risk?

There are two major types of currency risk

## **Internal corporate currency risk**

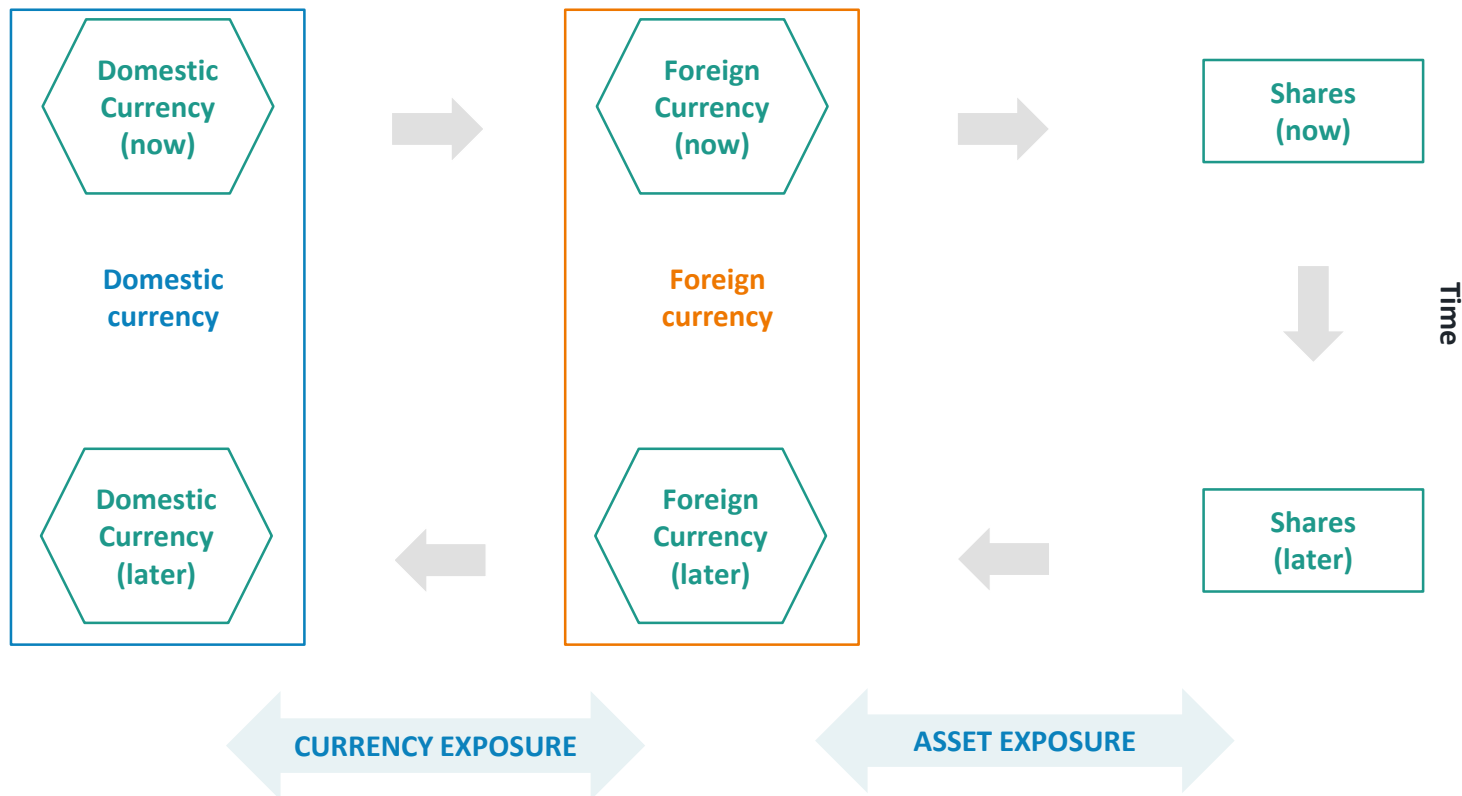
- The risk associated with company's costs, revenues or investments in currencies other than the investor's domestic currency.

## **Denomination currency risk**

- This risk that affects the PRICE of the security as observed by a foreign buyer.

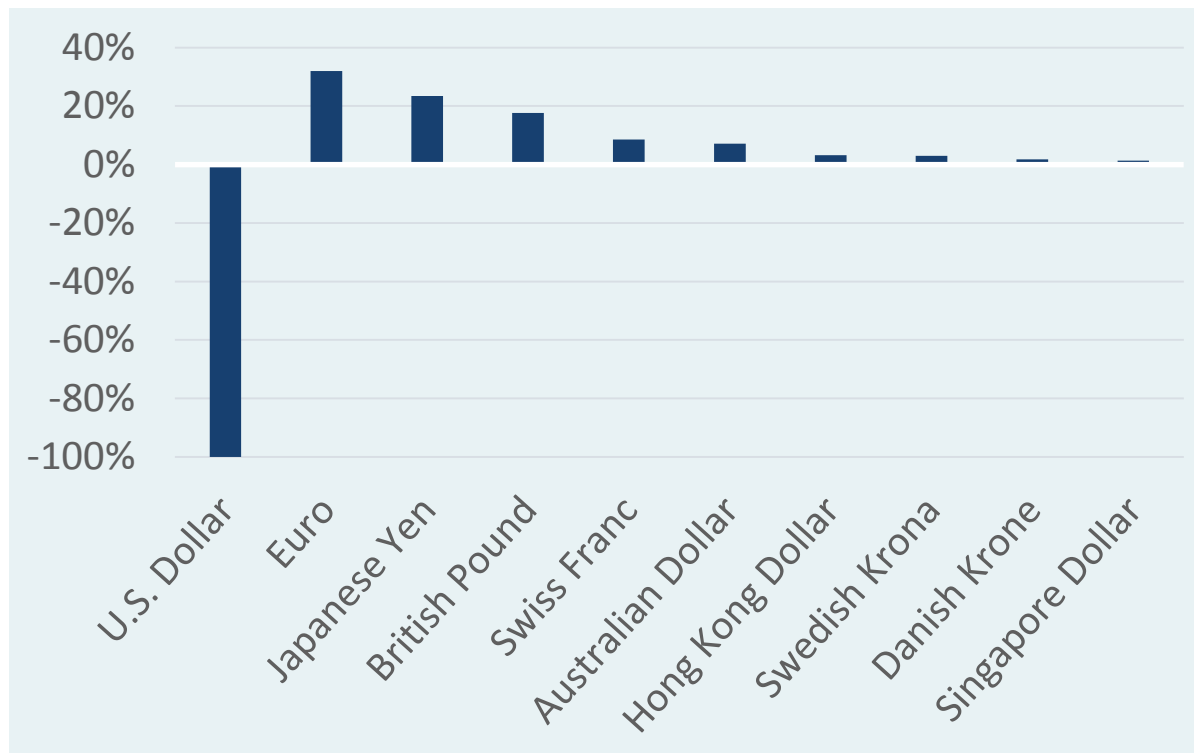
For this presentation, we are focusing on denomination currency risk

# The source of currency risk



# Embedded currency positions

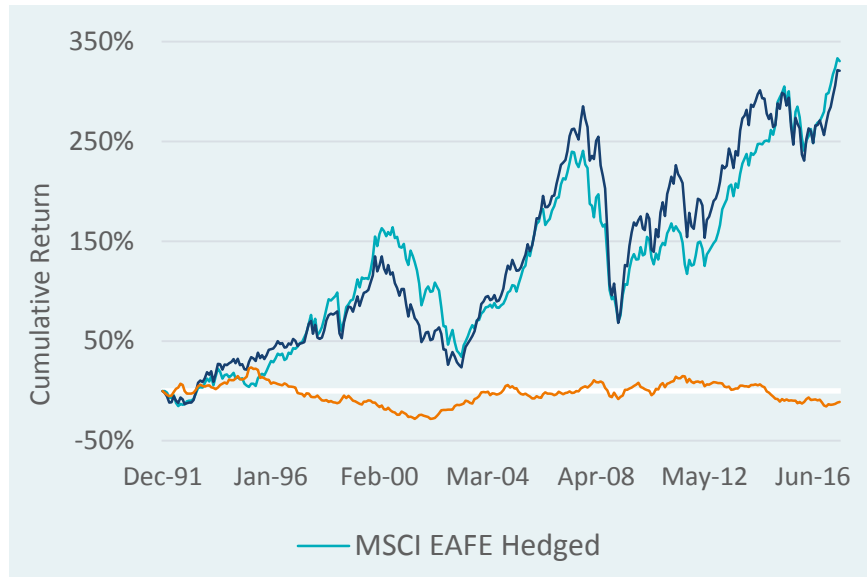
The currency portfolio is naively selected by the market cap of the index



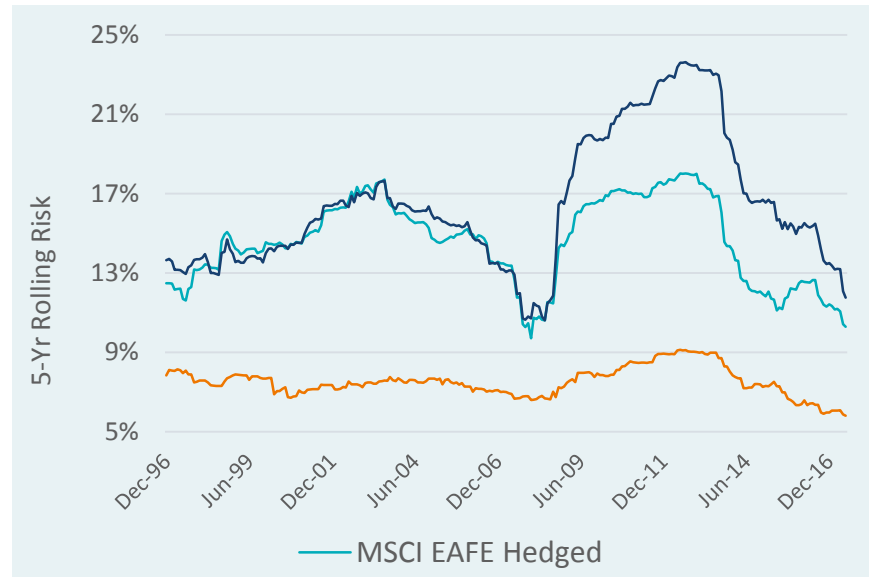
Based on the MSCI EAFE Index, as of 7/31/17

# Fully hedged vs. unhedged – international equity

CUMULATIVE PERFORMANCE



5-YEAR ROLLING RISK



Long-term returns have been similar, but the naïve or imbedded currency exposure has added volatility

Source: MPI, as of 6/30/17

# Three core questions

**When considering the currency risk in the portfolio there are three major elements to consider for an investor:**

- What currency portfolio am I exposed to?
- Is that portfolio an ACTIVE portfolio based on insights, or does it simply reflect the market?
- How much exposure to that currency portfolio do I have?

**This allows clarity and comparability for investors no matter what the currency stance they adopt:**

- It separates the question of the AMOUNT of exposure from the NATURE of that exposure.
- It allows investors to address currency using the same approach and terminology that they use when considering other exposures in the portfolio.



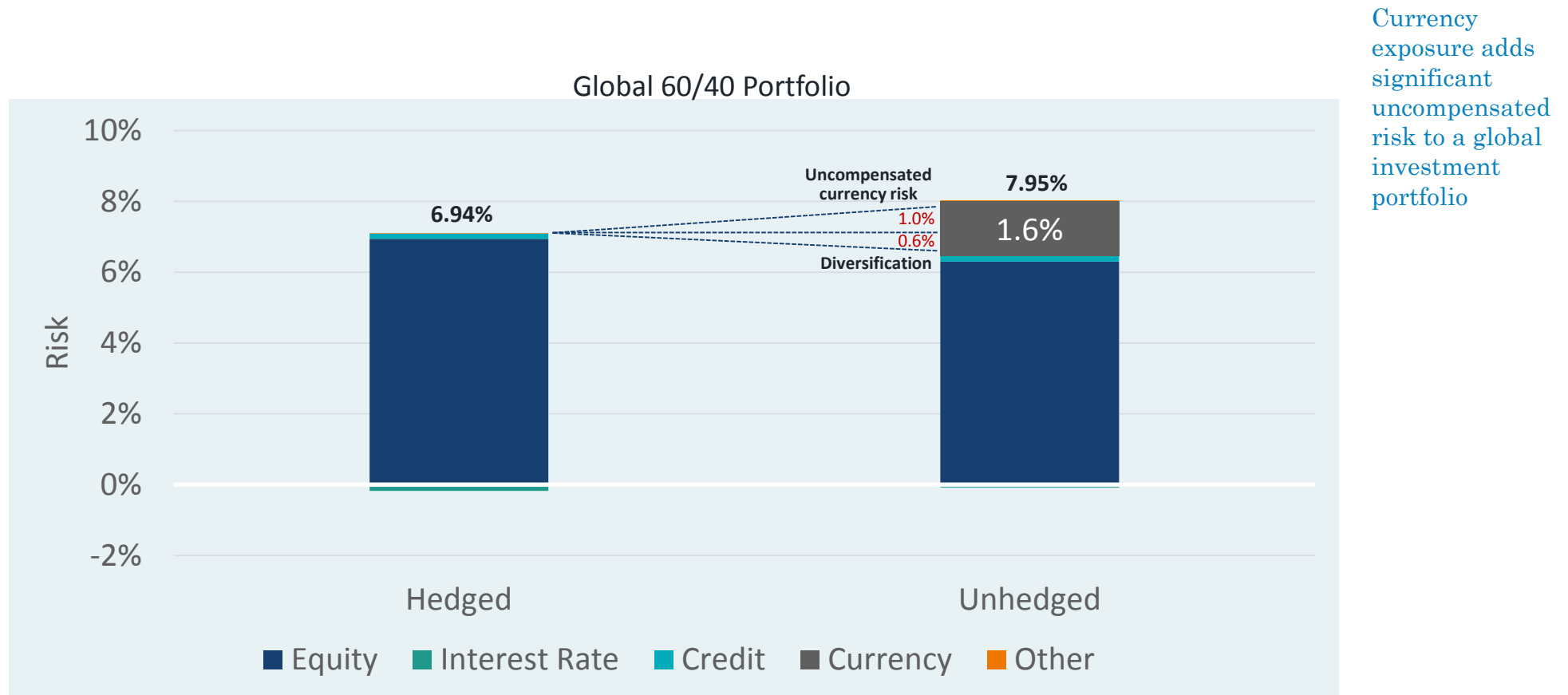
# Hedging is a reasonable starting point

When making any new portfolio decision, our starting point is often to determine **WHY** we should invest in an asset, and **WHAT** we expect it to give us.

- Currency exposure should not be treated any differently.
- A reasonable starting point is that we hedge currency exposure in the portfolio. This effectively removes the currency exposure.
- If we do decide to expose ourselves to currency risk, we should determine the expected return and risks of the possible approaches.
- Of course, peer risk is also a consideration.

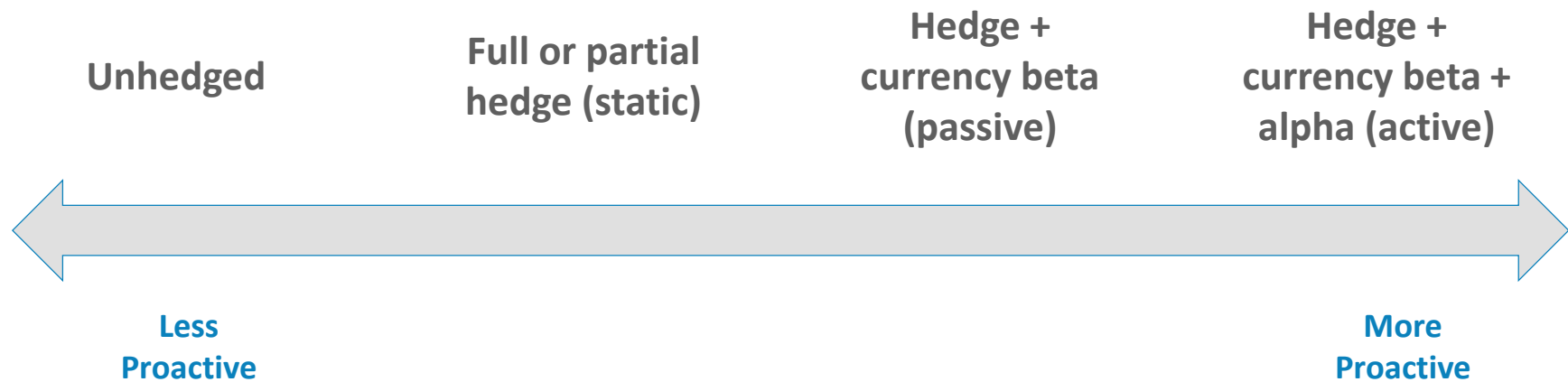
# Managing portfolios

# Uncompensated risk



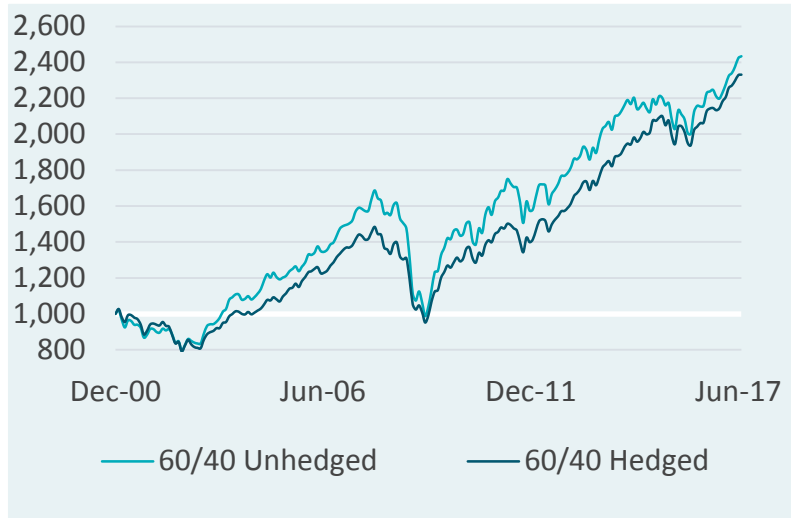
Portfolios represent 60% MSCI ACWI / 40% BC Global Aggregate

# Currency management approaches

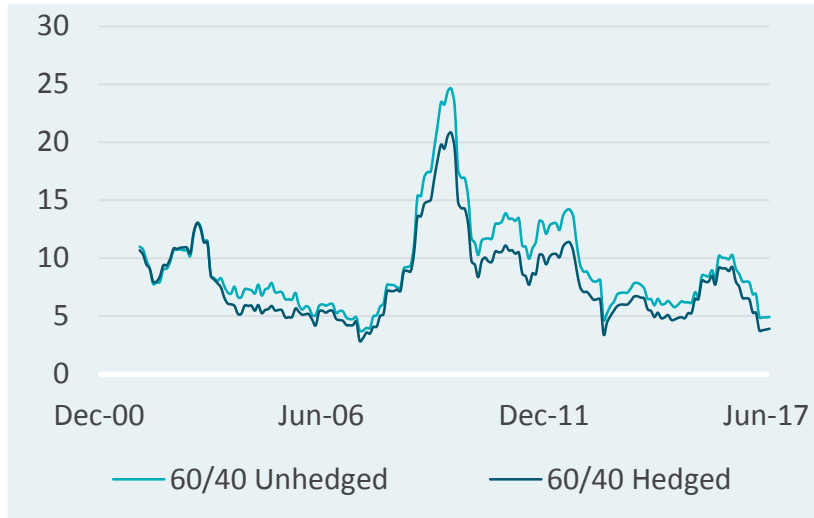


# Fully hedged vs. unhedged – global 60/40

**GROWTH OF \$1,000**

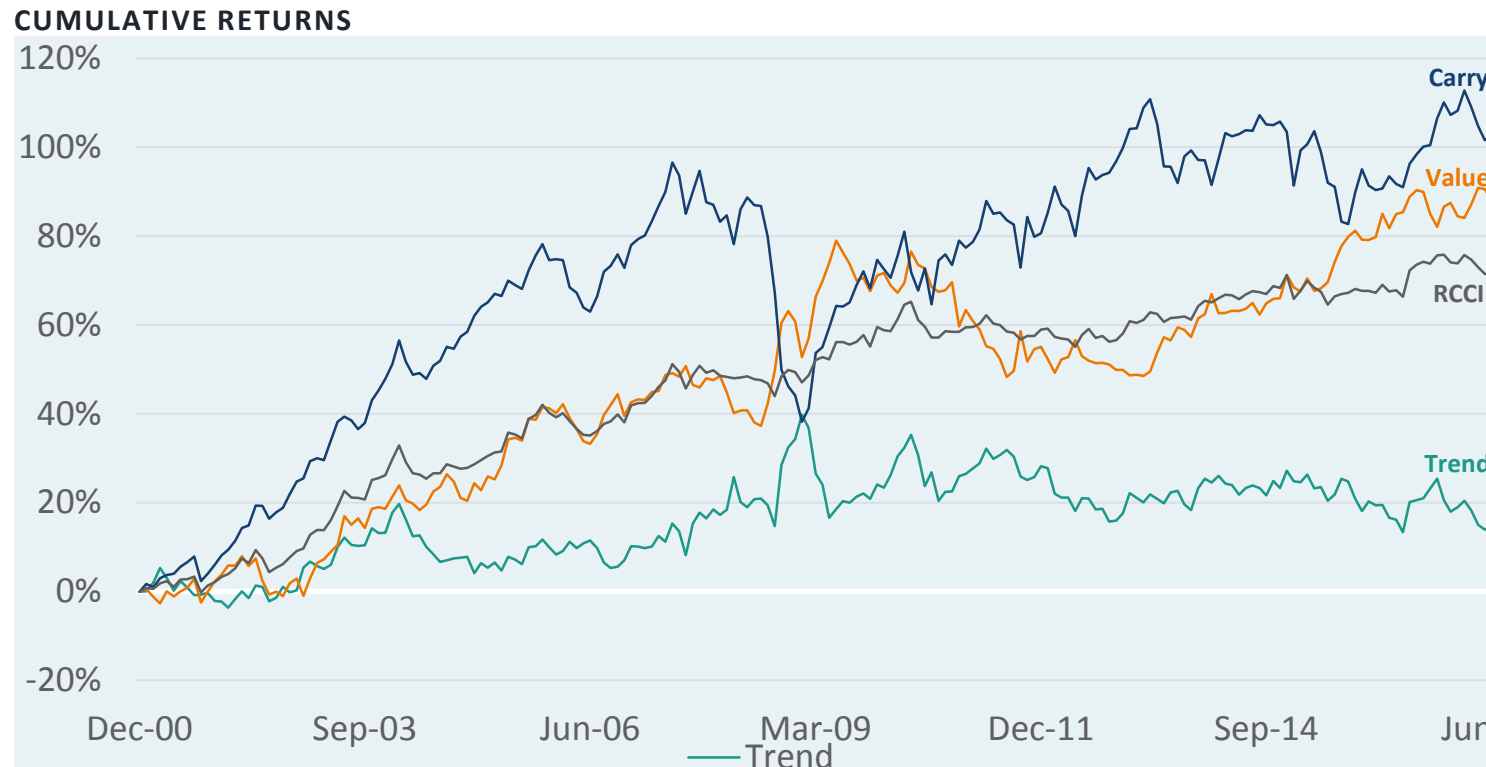


**1-YEAR ROLLING RISK**



Source: MPI, as of 6/30/17

# Currency beta – factor returns

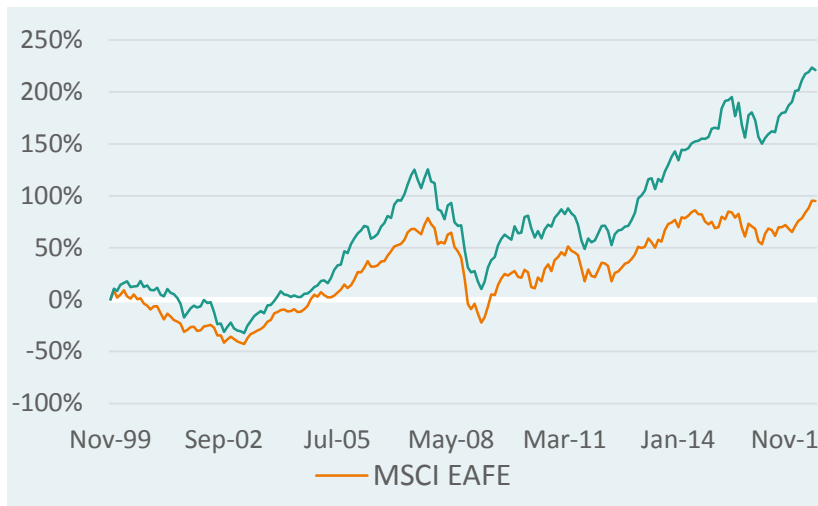


Currency betas have provided positive returns over time

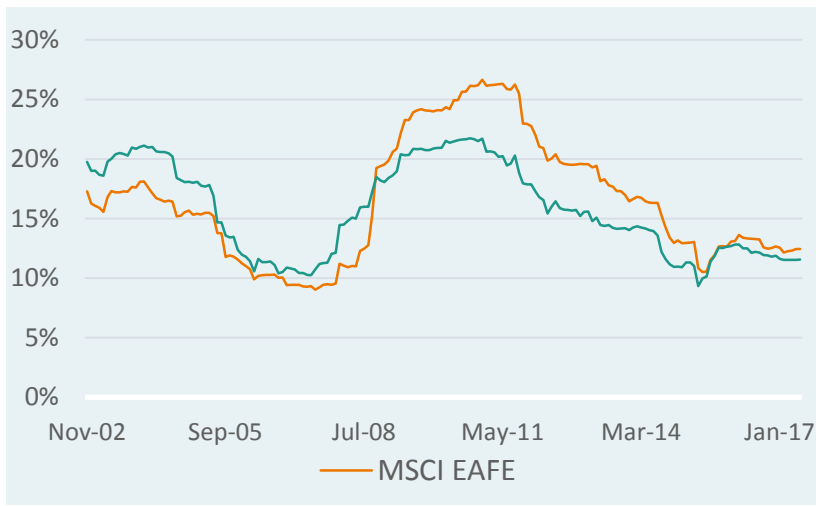
Source: Russell, MPI, as of 5/31/17

# Currency beta replacement

CUMULATIVE PERFORMANCE



3-YEAR ROLLING RISK



Currency beta replacement has provided significant return enhancement and risk reduction over time

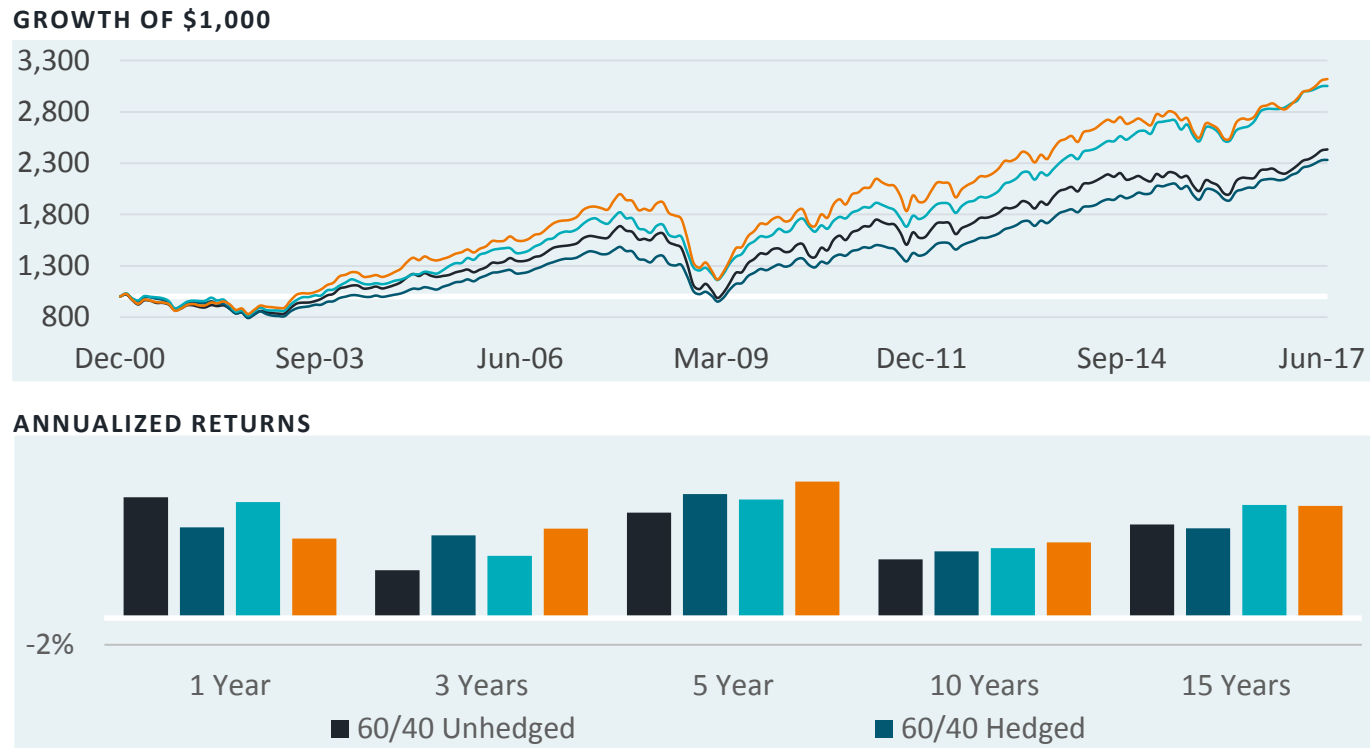
Source: MPI, as of 6/30/17

# Currency beta + alpha

- Currency beta can potentially be improved through active management
- Rules-based factors, such as carry, value and trend, are combined with quantitative and fundamental insights
- Active products can be tailored to a target volatility for client specific needs



# Relative portfolio performance



Over time, active and passive beta replacement have outperformed unhedged and naively hedged portfolios...but not without periods of underperformance

Source: MPI, as of 6/30/17 - 60/40 MSCI ACWI/Barclays Global Credit – Active Currency Replacement portfolio assumes 1/3 currency exposure allocation to each of the following products: SSgA Active Currency, Record Active Currency, Millennium Active Currency

# Solution summary

	Fixed Hedge	Hedge + Currency Beta	Hedge + Beta + Alpha
<b>Objective</b>	Reduce or eliminate the volatility of currency returns	Replace embedded currency exposure to provide a positive return or absolute return strategy	Absolute return strategy depending on a targeted volatility
<b>Hedge ratio</b>	Typically 50-100% depending on risk reduction objective	Not applicable	Not applicable
<b>Performance</b>	Returns will offset embedded currency; standalone return depends on currency movements and the shape of forward curves	Based on carry, value, and trend factors that have historically experienced positive returns when combined into one portfolio	Active insights are used to add value to currency factor returns; overall returns are based on factors and active management skill
<b>Fees</b>	2-10 bps	10-20 bps	Typically varies based on target volatility
<b>Liquidity risks</b>	Cash flows can be significant	Cash flows can be significant	Typically funded; no cash flow considerations
<b>Benefits</b>	Reduces portfolio volatility; low fees	Positive experienced returns; provides diversification to a multi-asset portfolio	Possibility to achieve alpha in addition to diversification
<b>Disadvantages</b>	Can underperform in a weak dollar environment; basis risk when hedging to a benchmark	Possibility of negative returns	Active managers could underperform

# Other considerations

# Other factors to consider

## — Use of derivatives:

- Intentional currency investing involves the use of derivative contracts. While currency forwards have some non-derivative characteristics, investors with sensitivity to derivatives are likely to also have sensitivity to forward use.

## — Liquidity needs:

- Liquidity considerations are involved. The nature of the exposures implemented may have liquidity consequences, and investors should be sure that their liquidity risk profile is matched to the proposed solution.

## — Complexity:

- Additional complexity is likely involved. This means that board time must be spent in the lead up to adoption, and probably on an ongoing basis (in particular where new members join the board) to ensure that decision-making stability is retained.

## — Human nature risk:

- A carefully thought out intentional currency approach will most likely involve peer risk. Weighing the sensitivity of the board to peer and other behavioral risks relative to the benefits of the possible investment outcomes concerned is an important part of adopting any approach.

# What solution is right for you?

## 1. Fund size?

- How does fund/allocation size impact potential strategies?

## 2. Objectives?

- Risk reduction
- Diversification
- Return enhancement

## 3. Assess risk tolerance?

- Derivatives
- Liquidity
- Complexity
- Peer risk

## 4. Implementation?

- Managers
- Timeframe

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Date: August 28, 2017

To: Board of Trustees

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

### **Agenda Item 15: Asset Allocation August 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.