

# 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, July 24, 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 June 26, 2017 (Approve Without Correction).
3. Report of Deposits and Contributions for the month of June 2017 (Receive and File).
4. Report of Service Retirements, Disability Retirements and DROP Participants for the month of June (Receive, Approve and File).
5. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through July 7, 2017 (Receive, Approve and File).
6. Resolution Modifying and Affirming Investment and Banking authority – Resolution 2017-04 (Recommend Approval).
7. Option 4 SDRO Approval (Recommend Approval).

## **APPLICATIONS FOR DISABILITY RETIREMENT**

- 8. Application for Industrial Disability Retirement (Case 2017-04) (Recommend Approval)
- 9. Application for Industrial Disability Retirement (Case 2017-05) (Recommend Approval)

## **OLD BUSINESS**

None

## **NEW BUSINESS**

None

## **INVESTMENTS**

- 10. Monthly Investment Report for June 2017 (Receive and File).
- 11. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

## **OPERATIONS**

- 12. Staff Reports
- 13. General Counsel Reports
- 14. Committee Reports:
  - a. Audit Committee No Report
  - b. Personnel Committee No Report
  - c. PAS Replacement Committee No Report
- 15. Upcoming Board Topics (subject to change):
  - a. August 28, 2017
    - i. 2017 Actuarial Audit – RFP
    - ii. Quarterly Investment Report
    - iii. Commission Recapture Program Termination
    - iv. Investment Educational Presentation

- b. 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
  
- c. October, 23, 2017
  - i. TBD

16. Trustee Comments

**REFERRED ITEMS**

None

**ADDED ITEMS**

None

**CLOSED SESSION**

None

**ADJOURNMENT**

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# Board of Trustees

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## **JUNE 26, 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  
Leslie Thompson, Actuary GRS  
Lisa Winters, Pension Trust  
Jennifer Alderete, Pension Trust  
Megan Fisher, Human Resources  
Michael Hobbs, Human Resources  
Alaina Sanchez, Brown Armstrong  
Rosalva Flores, Brown Armstrong

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

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

None.

**ORGANIZATIONAL:**

None.

**CONSENT:**

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

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

- ITEM 2:** The Minutes of the Regular Meeting of May 22, 2017, the Minutes of the Special Meeting of May 22, 2017-1:00 PM Disability Hearing, and the Special Meeting of May 22, 2017-2:00 PM Disability Hearing, were approved without correction.
- ITEM 3:** The Report of Deposits and Contributions for the Month of May 2017, was received and filed.
- ITEM 4:** The Report of Service Retirements, Disability and DROP Retirements for the month of May 2017, was received, approved and filed.
- ITEM 5:** The Report of Applications for participation in the Deferred Retirement Option Program received through June 9, 2017 was received, approved and filed.

**APPLICATIONS FOR DISABILITY RETIREMENT:**

None.

**OLD BUSINESS:**

None.

**NEW BUSINESS:**

**AGENDA ITEM NO. 6: AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2016.**

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

- a) The audited Financial Statements for the period ended December 31, 2016 as presented in the 2016 Comprehensive Annual Financial Report (CAFR) were received, approved and filed; and
- b) The Executive Secretary was authorized and directed to transmit the 2016 CAFR to the following agencies as required by the Government Code and retirement plan as follows:
  - 1) One copy to the Office of the State Controller as required by Government Code Section 7504(c); and
  - 2) One copy to the Board of Supervisors pursuant to Retirement Plan Section 17.02; Annual Statement of Financial Condition; and
  - 3) One copy to the County Auditor-Controller pursuant to Plan Section 17.02: Annual Statement of Financial Condition.

**AGENDA ITEM NO. 7: JANUARY 1, 2017 ACTUARIAL VALUATION.**

A detailed presentation by Leslie Thompson, of Gabriel Roeder Smith (GRS) as Plan Actuary was made. The Board of Trustees held an extensive discussion with Ms. Thompson.

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

- 1) The January 1, 2017 Actuarial Valuation was received, approved and filed; and
- 2) The transfer of \$3,860,597 from the Current Reserve to the Retiree Reserve as recommended by GRS as Plan Actuary in Comment H of the Actuarial Valuation was approved; and
- 3) The recommendation of the Plan Actuary to increase the current level of County appropriation and Employee Contribution rates such that a TOTAL CONTRIBUTION RATE OF 40.32% EFFECTIVE JANUARY 1, 2017 IS RECEIVED (AN INCREASE OF 1.93% OVER THE CURRENT CHARGED RATE OF CONTRIBUTIONS AS OF 12-31-2016) was approved. Further, this increase is subject to delayed implementation as may be requested by the Plan Sponsor, with adjustments to the rate calculated by GRS to account for the deferred implementation.

**\*\* At 10:40 AM President Janssen recessed the meeting for a 10 minute break resuming the meeting at 10:50 AM**

**AGENDA ITEM NO. 8: EMPLOYER CONTRIBUTION FISCAL YEAR 17/18 PREFUNDING AMOUNT.**

Upon the motion of Mr. Sibbach, seconded by Mr. Savage, and unanimously passed, staff recommendation to approve the discounted prefunded Employer Contributions and Employer Contributions for Employee (P/U) for Fiscal Year 17/18 (estimated based on the recommended 2.38% rate increase implemented 01-01-2018 of \$50,217,973 OR implemented 07-01-2018 of \$49,182,268) as calculated by GRS was approved.

**INVESTMENTS:**

**AGENDA ITEM NO. 9: MONTHLY INVESTMENT REPORT FOR MAY 2017.**

Upon the motion of Mr. Janssen, seconded by Mr. Savage, and unanimously passed, the Investment Report for the period ending May 31, 2017 was received and filed.

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

Staff reported that no action regarding investment asset allocations were necessary at this time. Staff further advised that at the July meeting there would be a report on receipt of the prefunded contributions, where those funds should be deployed, and rebalancing of current asset allocations.

**OPERATIONS:**

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

- A)** Staff announced the results of the Trustee Election reporting that Mr. Hamilton was re-elected for another three-year term beginning July, 2017 through June, 2020.
- B)** Staff reported that a transparent California CPRA request has been complied with.



- C)** Staff reported that the office has not received any calls from retirees having trouble with California State tax refunds this year and believes the prior year tax reporting issues have been resolved.
- D)** Staff reported that the first disability retirement hearing utilizing an independent referee has been scheduled for October 10, 2017.
- E)** Staff requested feedback regarding the transmission of the electronic agenda packet via link to the website versus attachment to an e-mail.

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

General Counsel provided a brief update on the Marin and Cal Fire cases.

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

- A)** AUDIT COMMITTEE: See item No. 6.
- B)** PERSONNEL COMMITTEE: Nothing to report.
- C)** PENSION ADMINISTRATION SYSTEM ADMINISTRATION (PASR) COMMITTEE: The committee met June 19, 2017, nothing to report.

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

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

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

No comments.

**REFERRED ITEMS:** None.

**ADDED ITEMS:** None.

**CLOSED SESSION:** None.

**ADJOURNMENT.**

There being no further business, the meeting was adjourned at 11:10 AM. The next Regular Meeting was set for July 24, 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  
JUNE 2017**

<b>PP 12 6/9/2017</b>	<b>Pensionable</b>	<b>Employer</b>	<b>Employer</b>	<b>Employee</b>	<b>Employee</b>	<b>Combined</b>	<b>Additional</b>	<b>Buy</b>	<b>TOTAL</b>
<b>By Employer and Tier:</b>	<b>Salary</b>	<b>Contributions</b>	<b>Rate</b>	<b>Contributions</b>	<b>Rate</b>	<b>Rate</b>	<b>Contributions</b>	<b>Backs</b>	<b>Contributions</b>
County Tier 1	4,060,701.80	900,138.41	22.17%	762,110.33	18.77%	40.94%	1,757.50	33,929.49	<b>1,697,935.73</b>
County Tier 2	887,408.31	201,884.54	22.75%	108,685.74	12.25%	35.00%	276.13	760.78	<b>311,607.19</b>
County Tier 3	1,742,154.53	365,870.26	21.00%	183,621.28	10.52%	31.52%	-	427.46	<b>549,919.00</b>
Superior Court Tier 1	296,692.25	63,886.19	21.53%	38,147.86	12.86%	34.39%	-	-	<b>102,034.05</b>
Superior Court Tier 3	48,646.64	9,634.24	19.80%	3,642.96	7.49%	27.29%	-	114.54	<b>13,391.74</b>
APCD Tier 1	74,113.17	15,593.08	21.04%	13,633.42	18.40%	39.43%	-	-	<b>29,226.50</b>
APCD Tier 3	6,399.20	1,338.73	20.92%	730.25	11.41%	32.33%	-	-	<b>2,068.98</b>
Pension Trust Staff Tier 1	10,232.17	2,244.93	21.94%	2,005.68	19.60%	41.54%	-	-	<b>4,250.61</b>
Pension Trust Staff Tier 2	7,336.80	1,609.69	21.94%	799.71	10.90%	32.84%	-	-	<b>2,409.40</b>
Pension Trust Staff Tier 3	7,885.16	1,691.37	21.45%	928.50	11.78%	33.23%	-	-	<b>2,619.87</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>7,153,145.12</b>	<b>1,566,900.97</b>	<b>21.91%</b>	<b>1,116,155.13</b>	<b>15.60%</b>	<b>37.51%</b>	<b>2,033.63</b>	<b>35,232.27</b>	<b>\$ 2,720,322.00</b>
<b>PP 13 6/23/2017</b>									
<b>By Employer and Tier:</b>	<b>Pensionable</b>	<b>Employer</b>	<b>Employer</b>	<b>Employee</b>	<b>Employee</b>	<b>Combined</b>	<b>Additional</b>	<b>Buy</b>	<b>TOTAL</b>
	<b>Salary</b>	<b>Contributions</b>	<b>Rate</b>	<b>Contributions</b>	<b>Rate</b>	<b>Rate</b>	<b>Contributions</b>	<b>Backs</b>	<b>Contributions</b>
County Tier 1	4,056,433.40	898,871.27	22.16%	761,514.53	18.77%	40.93%	1,757.50	901.30	<b>1,663,044.60</b>
County Tier 2	885,419.26	201,239.97	22.73%	108,442.61	12.25%	34.98%	278.82	760.78	<b>310,722.18</b>
County Tier 3	1,742,700.68	366,246.85	21.02%	183,710.67	10.52%	31.54%	-	427.46	<b>550,384.98</b>
Superior Court Tier 1	299,002.52	64,483.87	21.57%	38,376.86	12.83%	34.40%	-	-	<b>102,860.73</b>
Superior Court Tier 3	48,786.74	9,663.20	19.81%	3,658.06	7.50%	27.31%	-	114.54	<b>13,435.80</b>
APCD Tier 1	74,199.70	15,610.93	21.04%	13,651.77	18.40%	39.44%	-	-	<b>29,262.70</b>
APCD Tier 3	6,917.60	1,443.13	20.86%	804.85	11.63%	32.50%	-	-	<b>2,247.98</b>
Pension Trust Staff Tier 1	10,232.17	2,244.93	21.94%	2,005.68	19.60%	41.54%	-	-	<b>4,250.61</b>
Pension Trust Staff Tier 2	7,336.80	1,609.69	21.94%	799.71	10.90%	32.84%	-	-	<b>2,409.40</b>
Pension Trust Staff Tier 3	7,885.16	1,691.37	21.45%	928.50	11.78%	33.23%	-	-	<b>2,619.87</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>7,150,489.12</b>	<b>1,566,114.74</b>	<b>21.90%</b>	<b>1,115,742.64</b>	<b>15.60%</b>	<b>37.51%</b>	<b>2,036.32</b>	<b>2,204.08</b>	<b>\$ 2,686,097.78</b>
<b>TOTAL FOR THE MONTH</b>	<b>14,303,634.24</b>	<b>3,133,015.71</b>	<b>21.90%</b>	<b>2,231,897.77</b>	<b>15.60%</b>	<b>37.51%</b>	<b>4,069.95</b>	<b>37,436.35</b>	<b>\$ 5,406,419.78</b>
<b>TOTAL YEAR TO DATE</b>	<b>92,879,777.77</b>	<b>20,187,843.07</b>	<b>21.74%</b>	<b>14,395,754.74</b>	<b>15.50%</b>	<b>37.23%</b>	<b>32,560.62</b>	<b>255,380.07</b>	<b>\$ 34,871,538.50</b>

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

**JUNE 2017**

<b>RETIREE NAME</b>	<b>DEPARTMENT</b>	<b>DATE</b>	<b>MONTHLY ALLOWANCE</b>
ATKINS, HARRIET	PUBLIC WORKS	06-24-2017	Awaiting calcs
CURRY, SCOTT (DROP)	SHERIFF DEPARTMENT	06-01-2017	Option selection
MEICHTRY, KENNETH	PUBLIC WORKS	06-03-2017	1923.11
TRICE, JOHN	RECIPROCAL / SUPERIOR COURT	06-16-2017	8723.30 163.72*
VALLELY, MARK	DISTRICT ATTORNEY	06-03-2017	6271.27
WALKER, DAVID (DROP)	SHERIFF DEPARTMENT	06-01-2017	Option selection
VOISENAT, MICHELLE	SHERIFF DEPARTMENT	06-28-2017	5743.16 21.48*
ZUCHELLI, PATRICK (DROP)	SHERIFF DEPARTMENT	06-01-2017	6492.96
<b>ADDENDUM:</b>			
TRYON, ROSE	RECIPROCAL / SOCIAL SERVICES	04-01-2017	Awaiting calcs
ARGUILLA, IRMA	RECIPROCAL / PROBATION	05-16-2017	1439.10
MARSHALL, RICHARD	RECIPROCAL / PUBLIC WORKS	05-20-2017	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: July 24, 2017  
To: Board of Trustees  
From: Carl Nelson – Executive Secretary

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

#### **Recomendation:**

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

#### **Discussion:**

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

**AUGUST 1, 2017     John Hacker, Sheriff Department**  
**AUGUST 1, 2017     Donald McGill, Sheriff Department**

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Date: July 24, 2017

To: Board of Trustees

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

### **Agenda Item 6: Investment and Banking Authority**

#### **Recommendation:**

Staff recommends that the Board approve and adopt the attached Resolution 2017-04 and accompanying Incumbency Certificate designating authorized signers for various investment and banking relationships.

#### **Discussion:**

In the normal course of conducting investment and banking business, the SLOCPT is sometimes required to produce a corporate resolution that documents authorized signers. These designations are necessary to the everyday operations of the SLOCPT. The Board last approved and adopted such documents at the regular meeting of January 23, 2017. It was determined that more recent documents may be required when initiating new or updating existing investment and banking relationships.

The attached Resolution 2017-04 and its referenced Incumbency Certificate provide such a certification. The approval of a resolution of this type is anticipated to be a routine item before the Board of Trustees or whenever authorized signers are changed or biannually.

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**SAN LUIS OBISPO COUNTY  
PENSION TRUST**

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

ABSENT: James Hamilton

**RESOLUTION NO. 2017-04**

**A Resolution Affirming Investment and Banking Authority**

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

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

The attached San Luis Obispo County Pension Trust Investment and Banking Authority Incumbency Certificate dated July 24, 2017, is hereby approved.

Adopted: July 24, 2017

Approved as to Form and Legal Effect

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

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

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

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# Board of Trustees

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## Investment and Banking Authority Incumbency Certificate

Effective Date: July 24, 2017  
Date of Certification: July 24, 2017

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

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

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

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

James Erb  
Jeff Hamm  
Gere Sibbach

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

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

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Date: July 24, 2017

To: Board of Trustees

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

### **Agenda Item 10: Investment Report for June 2017**

	June	Year to Date 2017	2016	2015	2014	2013
Total Trust Investments (\$ 000s)	\$1,260,941		\$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>	0.5% Gross	<b>8.1%</b> Gross	6.6 % Gross	-0.8 % Gross	5.1 % Gross	13.8% Gross
Policy Index Return (r)	0.3%	6.0%	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 Pension Trust operates on a calendar year basis so the annual rate of return of most impact on the annual actuarial valuation results is as of December 31<sup>st</sup>. However, many retirement systems are on a June 30<sup>th</sup> ending fiscal year. As a result, the financial media is actively reporting the year-ending June 30<sup>th</sup> rates of returns for those systems due to their actuarial significance. For comparison, the preliminary estimate of Pension Trust gross returns for the year ended June 30<sup>th</sup> is 10.8%.

### **The Economy:**

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

- **Fed Policy** – As expected, the Fed is on a stay-the-course path with 2017 rate increases. At the Fed’s June 14<sup>th</sup> meeting the fed funds rate was increased by 0.25% enacted to a target range of 1.00% to 1.25%. The Fed’s meeting minutes further reveal a plan to reduce the Fed balance sheet (the “hangover” from years of quantitative easing) by slowly and predictably ending reinvestments in maturing securities. This gradual unwinding of the Fed balance sheet has been a long-held expectation of the credit markets. The Fed is expected to stick to the apparent plan for two additional rate increases in 2017.
- **Economic Growth - US:** US GDP growth in 2Q17 is forecast to come in at a 2.4% real rate which is a downward revision from earlier estimates. Consumer confidence remains at elevated levels bolstering expectations for an uptick in GDP growth. Manufacturing indices (ISM) are at elevated levels as well indicating optimism. The remainder of 2017 may see a GDP growth rate of in the area of a 3.0% real annual rate. Market expectations of highly stimulative fiscal policy (e.g., tax reform and infrastructure spending) are awaiting actual developments out of Washington.
- **Economic Growth - Global:** Global growth rates showed modest improvement in the 2<sup>nd</sup> quarter continuing a sluggish recovery from the 2008 global financial crisis. Generally in developed markets fiscal stimulus has been modest and much of the underpinnings for the slow growth recovery have come from accommodative monetary policies. Emerging market growth is still expected to provide much of the improvement expected in 2017 GDP growth. Interestingly, the MSCI Emerging Markets stock index added a 0.7% weighting to large cap Chinese stocks reflecting the slow loosening of Chinese capital markets to foreign investment.
- **Employment** - The US unemployment rate ticked up slightly in June from its May reading of 4.3% to 4.4%. After the disappointing new-jobs creation rate of +79k in March, the April new jobs number came in at a robust +211k followed by +138k in May. June followed with a robust increase of 222k new jobs. Wage growth is still relatively low despite the tightening labor market conditions.

## Investment Markets:

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

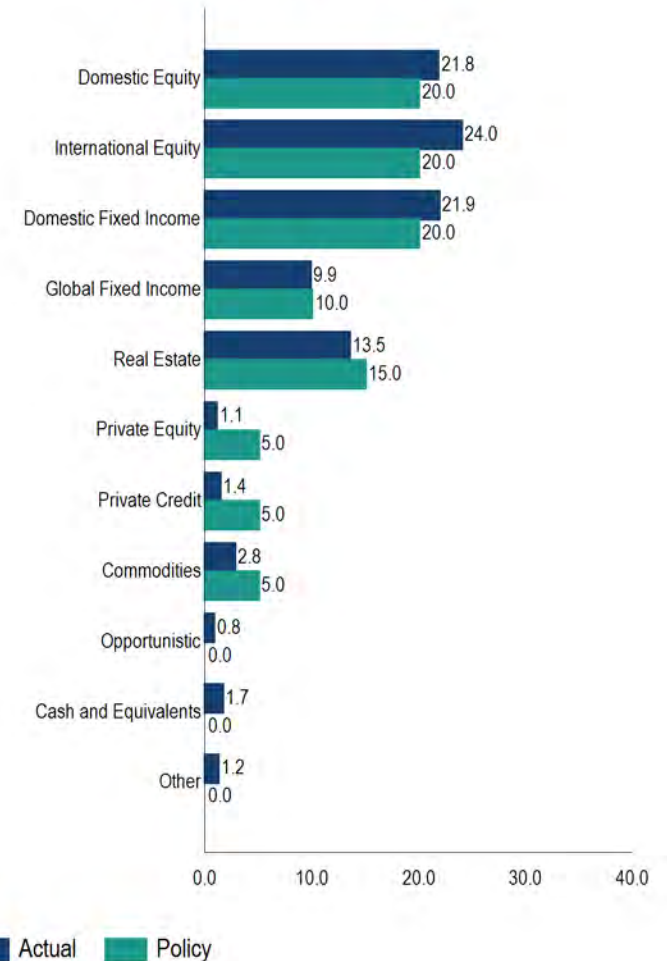
Domestic equities in particular have rallied throughout the first half of 2017. It is interesting to note that the US equity rally has been a strong momentum and narrowly focused one that increasingly has been built on the expectation for future earnings growth. This has benefited growth investors and hurt value investment styles. A note of caution in a market environment that is well above historical price/earnings ratios and with narrow market leadership is warranted based on past experience. The Shiller P/E ratio (a cyclically adjusted valuation measure) for the S&P 500 index of domestic equities stands at 30.1. This is the highest level for this P/E measure of market valuation since 2001 and well above its 30 year average of 24.5.

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

Period Ending: June 30, 2017

	Market Value	% of Portfolio	1 Mo	QTD	YTD
<b>Total Fund</b>	<b>1,260,941,490</b>	<b>100.0</b>	<b>0.5</b>	<b>3.3</b>	<b>8.1</b>
Total Fund ex Clifton	1,245,348,109	98.8	0.5	3.3	8.0
Policy Index			0.3	2.4	6.0
<b>Total Domestic Equity</b>	<b>274,926,049</b>	<b>21.8</b>	<b>1.7</b>	<b>4.6</b>	<b>10.9</b>
Russell 3000			0.9	3.0	8.9
SSGA S&P 500 Flag.	11,202,478	0.9	0.6	3.1	9.3
S&P 500			0.6	3.1	9.3
PIMCO RAE Fundamental PLUS Instl	52,094,360	4.1	1.3	0.7	4.3
S&P 500			0.6	3.1	9.3
Loomis Sayles Large Cap Growth	82,698,916	6.6	1.0	8.6	18.3
Russell 1000 Growth			-0.3	4.7	14.0
Boston Partners Large Cap Value	74,130,447	5.9	2.2	2.7	--
Russell 1000 Value			1.6	1.3	--
Atlanta Capital Mgmt	54,799,848	4.3	2.8	5.4	11.2
Russell 2500			2.5	2.1	6.0
<b>Total International Equity</b>	<b>302,229,131</b>	<b>24.0</b>	<b>-0.2</b>	<b>6.4</b>	<b>15.7</b>
MSCI ACWI ex USA Gross			0.4	6.0	14.5
Dodge & Cox Intl Stock	158,875,545	12.6	-0.2	4.9	14.9
MSCI EAFE Gross			-0.1	6.4	14.2
WCM International Growth	143,353,586	11.4	-0.2	8.0	--
MSCI ACWI ex USA Gross			0.4	6.0	--
<b>Total Domestic Fixed Income</b>	<b>275,964,969</b>	<b>21.9</b>	<b>-0.1</b>	<b>0.9</b>	<b>2.2</b>
BBgBarc US Aggregate TR			-0.1	1.4	2.3
BlackRock Core Bond	94,226,103	7.5	-0.1	0.5	--
BBgBarc US Aggregate TR			-0.1	1.4	--
Dodge & Cox Income Fund	95,738,386	7.6	0.1	1.6	--
BBgBarc US Aggregate TR			-0.1	1.4	--
Pacific Asset Corporate Loan	67,059,382	5.3	-0.2	0.7	2.1
S&P/LSTA Leveraged Loan Index			0.0	0.8	1.9
SSGA TIPS	18,891,829	1.5	-1.0	-0.4	0.9
BBgBarc US TIPS TR			-0.9	-0.4	0.9

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 3/31/2017 +/- 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. Cash Account market value as of 5/31/2017. All data is preliminary.

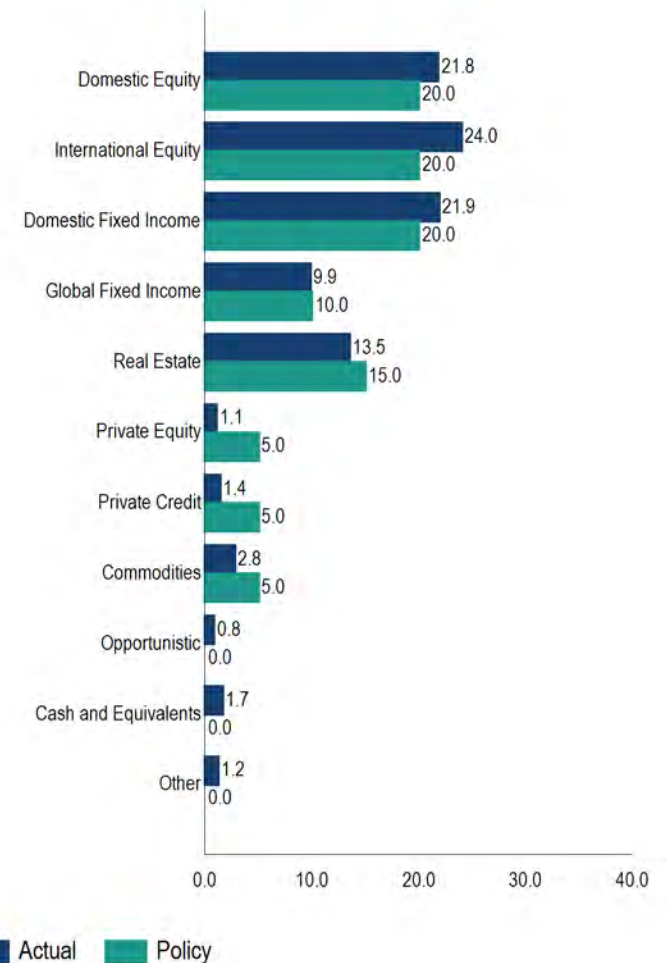
# San Luis Obispo County Pension Trust

## Executive Summary - Preliminary (Gross of Fees)

Period Ending: June 30, 2017

	Market Value	% of Portfolio	1 Mo	QTD	YTD
<b>Total Global Fixed</b>	<b>124,343,762</b>	<b>9.9</b>	<b>1.1</b>	<b>3.7</b>	<b>10.4</b>
<i>Citi World Govt Bond Index</i>			-0.1	2.9	4.5
Brandywine Global Fixed Income	63,016,491	5.0	1.8	4.2	9.4
<i>JPM GBI Global TR USD</i>			-0.2	2.6	4.1
Stone Harbor Local Markets Ins	61,327,271	4.9	0.3	3.2	11.5
<i>JPM GBI-EM Global Diversified TR USD</i>			0.5	3.6	10.4
<b>Total Real Estate</b>	<b>170,232,318</b>	<b>13.5</b>	<b>0.6</b>	<b>1.9</b>	<b>4.2</b>
<i>NCREIF Property Index</i>					
ARA American Strategic Value Realty	11,099,843	0.9	0.0	0.0	2.7
<i>NCREIF-ODCE</i>					
<i>NCREIF Property Index</i>					
Direct Real Estate	12,996,972	1.0	0.0	6.6	12.4
<i>NCREIF-ODCE</i>					
<i>NCREIF Property Index</i>					
JP Morgan Core Real Estate	145,917,353	11.6	0.7	1.3	3.0
<i>NCREIF-ODCE</i>					
<i>NCREIF Property Index</i>					
Fidelity Real Estate Growth III	218,151	0.0	-33.6	-33.6	-34.1
<i>NCREIF-ODCE</i>					
<i>NCREIF Property Index</i>					
<b>Total Commodities</b>	<b>35,080,077</b>	<b>2.8</b>	<b>-0.7</b>	<b>-3.0</b>	<b>-3.9</b>
<i>Bloomberg Commodity Index TR USD</i>			-0.2	-3.0	-5.3
Gresham MTAP Commodity Builder	35,080,077	2.8	-0.7	-3.0	-3.9
<i>Bloomberg Commodity Index TR USD</i>			-0.2	-3.0	-5.3
<b>Total Private Equity</b>	<b>13,422,310</b>	<b>1.1</b>			
Harbourvest Partners IX Buyout Fund L.P.	12,385,369	1.0			
Pathway 9	1,036,941	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 3/31/2017 +/- 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. Cash Account market value as of 5/31/2017. All data is preliminary.

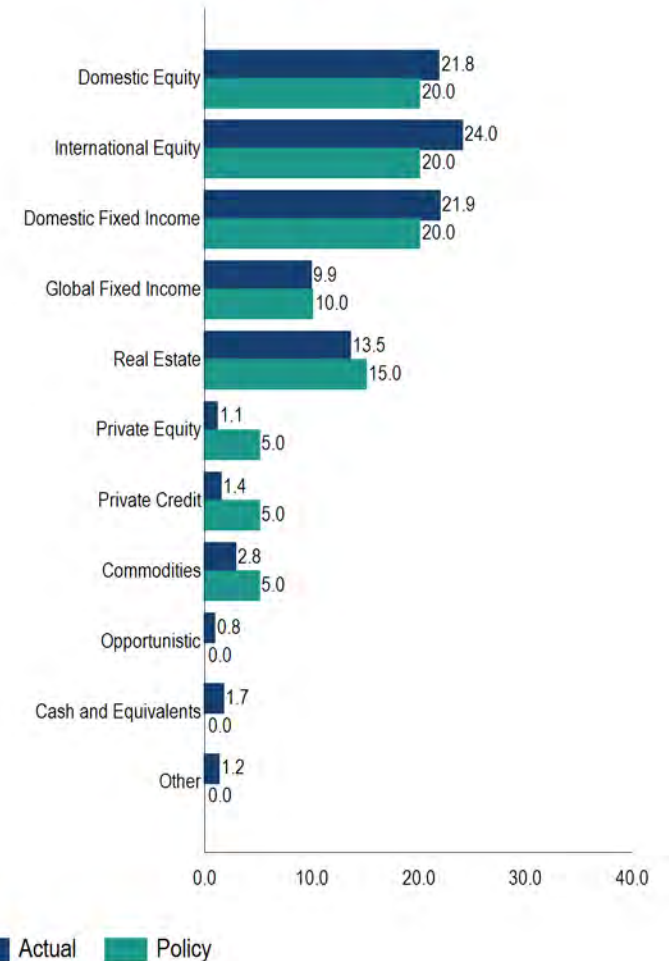


San Luis Obispo County Pension Trust  
 Executive Summary - Preliminary (Gross of Fees)

Period Ending: June 30, 2017

	Market Value	% of Portfolio	1 Mo	QTD	YTD
<b>Total Private Credit</b>	<b>17,809,701</b>	<b>1.4</b>			
TPG Diversified Credit Program	17,809,701	1.4			
BBgBarc High Yield +2% (Lagged)					
<b>Total Cash</b>	<b>20,913,852</b>	<b>1.7</b>	<b>0.0</b>	<b>0.2</b>	<b>0.4</b>
91 Day T-Bills			0.1	0.2	0.4
Cash Account	20,913,852	1.7	0.0	0.2	0.4
91 Day T-Bills			0.1	0.2	0.4
<b>Total Opportunistic</b>	<b>10,425,940</b>	<b>0.8</b>			
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	8,111,233	0.6			
PIMCO Distressed Credit Fund	2,314,707	0.2			
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 3/31/2017 +/- 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. Cash Account market value as of 5/31/2017. All data is preliminary.

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**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

JUNE 2017  
Capital Markets Update

# Market commentary

## ECONOMIC CLIMATE

- On June 14<sup>th</sup>, the Federal Reserve raised the fed funds rate by 25 bps to a target range of 1.00% - 1.25%. FOMC minutes revealed the committee could start unwinding the \$4.5 trillion balance sheet by the end of the year.
- Headline CPI increased by 1.9% YoY in May, down 0.3% from April, mainly affected by lower energy prices. Core CPI increased 1.7% YoY, down 0.2% from the prior month, negatively affected by lower prices in apparel, communications and medical services.
- The ISM Manufacturing index increased in June from 54.9 to 57.8, above the consensus estimate of 55.1. The reading was the highest since August 2014, with 15 out of 18 industries reporting growth during the month.
- The U.S. added 222,000 nonfarm jobs in June, above the consensus estimate of 170,000, and the highest monthly increase since February. Wage growth continued to disappoint in June despite the relatively tight labor market.
- As of July 14<sup>th</sup>, the Atlanta Fed GDPNow forecast for real U.S. GDP growth in Q2 was 2.4% (quarterly annualized). The forecast was adjusted down from a May 31<sup>st</sup> estimate of 4.0% after a series of economic data misses.

## DOMESTIC EQUITIES

- Domestic equities rose gradually in June - the S&P 500 returned 0.6% during the month. June's performance marked the eighth consecutive month of positive growth.
- According to FactSet, the estimated Q2 earnings and revenue growth rates of the S&P 500 were 6.6% and 4.9% YoY, respectively.

## DOMESTIC FIXED INCOME

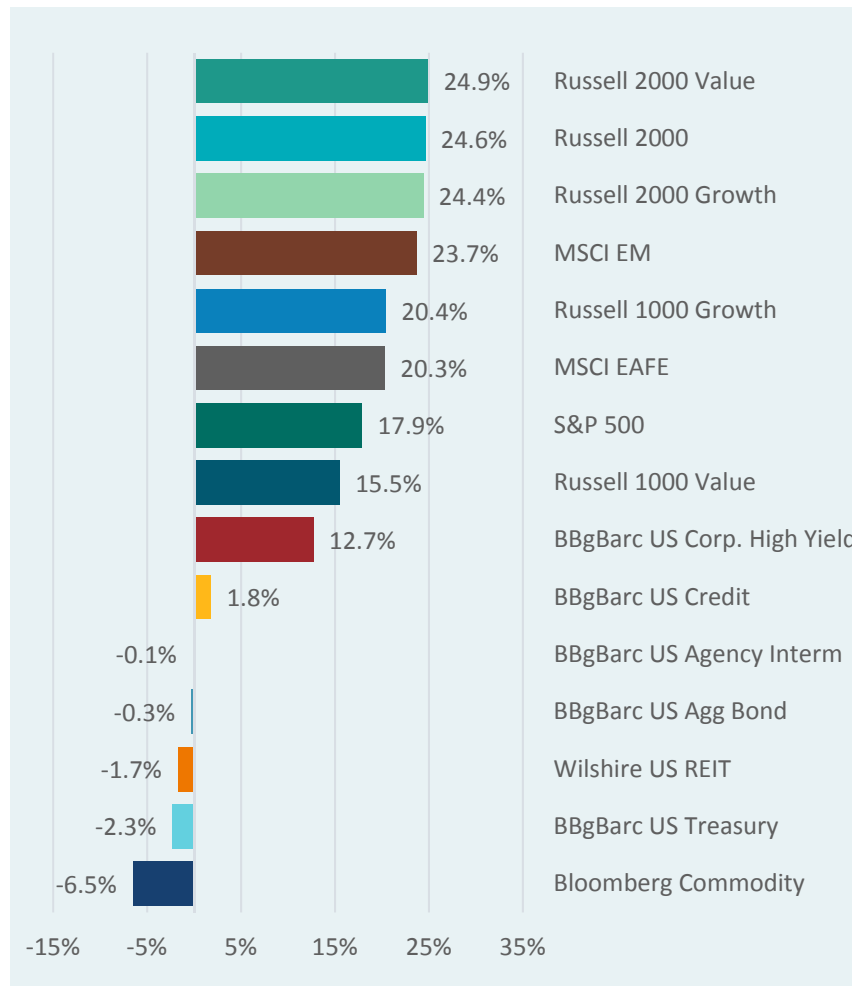
- Domestic fixed income returns were flat in June as the Bloomberg Barclays U.S. Aggregate Index returned -0.1%.
- U.S. Treasury rates in the middle of the curve moved upward while rates at the longer end of the curve remained materially unchanged. The 5-year and 10-year yields each increased more than 10 bps in the month and ended at 1.89% and 2.31%, respectively.
- U.S. high yield option-adjusted spreads were generally flat in June (up 3 bps to 3.8%), however the dispersion between sectors increased as high yield energy spreads rose 60 bps in the month to 5.7% over concerns of falling oil prices.

## INTERNATIONAL MARKETS

- International equities underperformed domestic equities (S&P 500 0.6%) as the unhedged MSCI ACWI ex U.S. index returned 0.3% (-0.2% hedged).
- On June 8<sup>th</sup>, the U.K. held a snap election in which the Conservative party unexpectedly gave up their majority in Parliament, potentially weakening its position in the upcoming Brexit negotiations.
- On June 27<sup>th</sup>, ECB President Mario Draghi surprised markets with comments perceived as relatively hawkish. 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.
- Italy bailed out two failing banks in June in an attempt to improve the country's financial stability. The deal, which incorporated public and private funds, was worth around €17 billion.

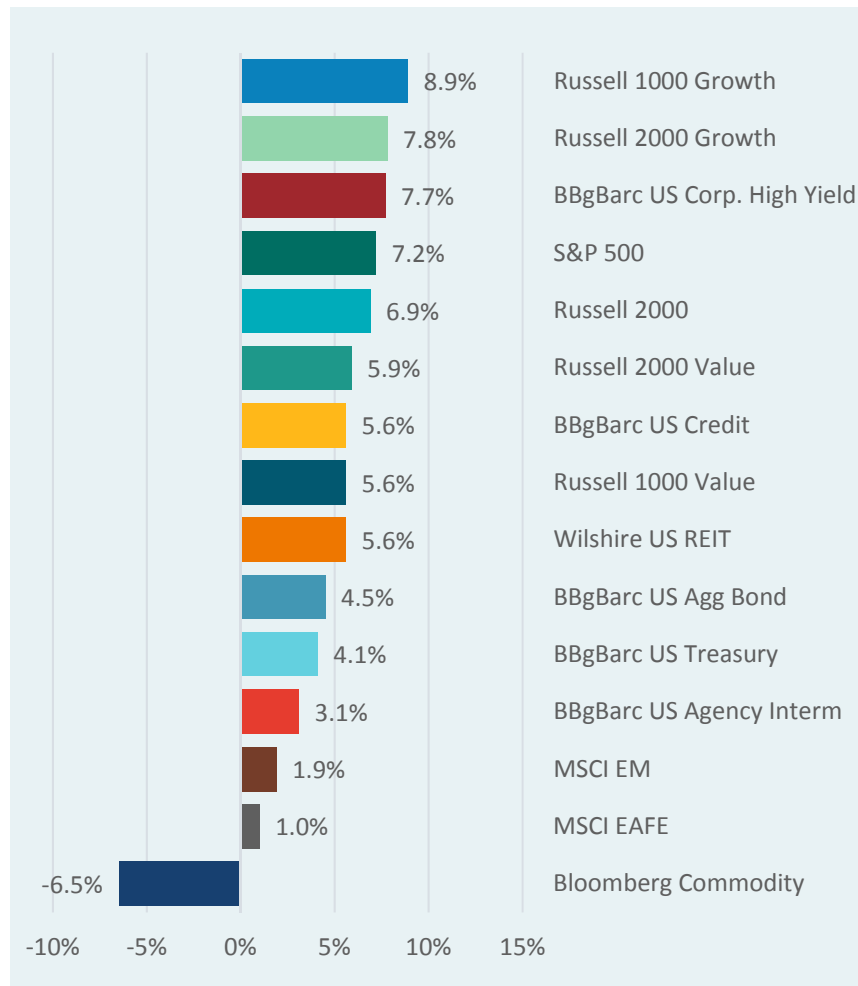
# Major asset class returns

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/17

TEN YEARS ENDING JUNE

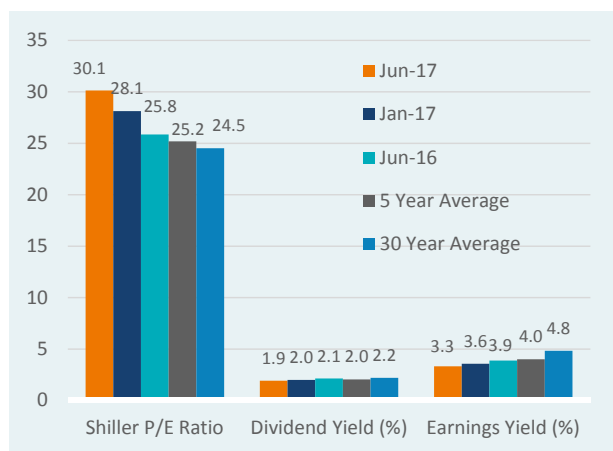


Source: Morningstar, as of 6/30/17

# U.S. large cap equities

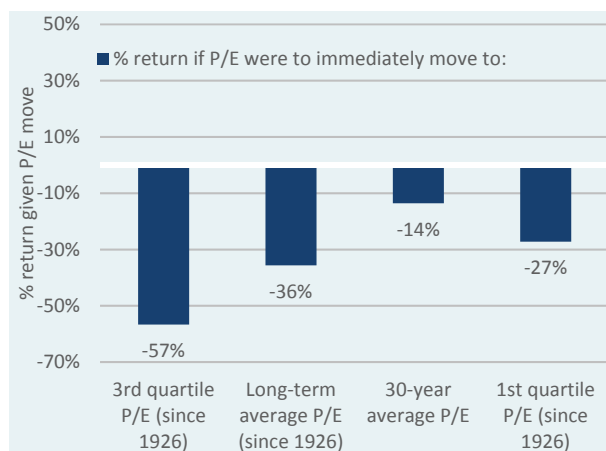
- Large cap equities edged moderately higher in June, as the S&P 500 returned 0.6%.
- The Shiller P/E ratio of the S&P 500 increased above 30 for the first time since 2001, ending the month at 30.1. The Shiller P/E, a cyclically adjusted valuation metric, was above its 30-year average of 24.5, which may be due in part to the low interest rate environment.
- Low implied volatility persisted in June despite a brief intraday spike on June 29<sup>th</sup> when the VIX hit 15.2. The index ended the month at 11.2.
- U.S. equities experienced a divergence between tech companies (-2.9%) and financials (+6.4%). The tech sector had driven equity gains over the first five months of the year. Year-to-date returns remained positive, and the recent underperformance may be due to profit taking rather than a shift in fundamentals.
- 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 implied banks could increase their future dividends and buybacks.

US LARGE CAP (S&P 500) VALUATION SNAPSHOT



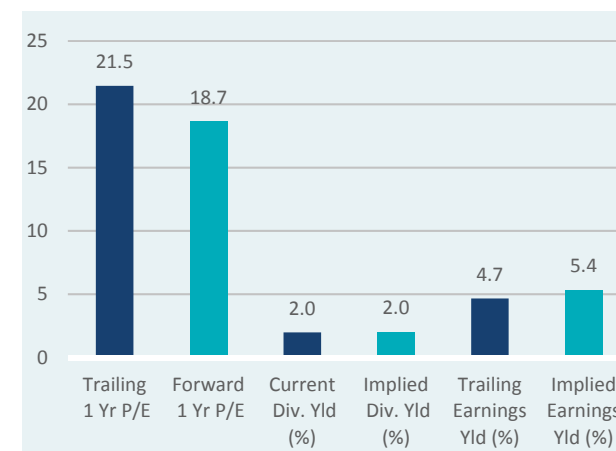
Source: Yale/Shiller, as of 6/30/17

RETURNS IF P/E MOVED TO HISTORIC LEVEL



Source: Yale/Shiller, Verus, as of 6/30/17

S&P 500 VALUATION SNAPSHOT

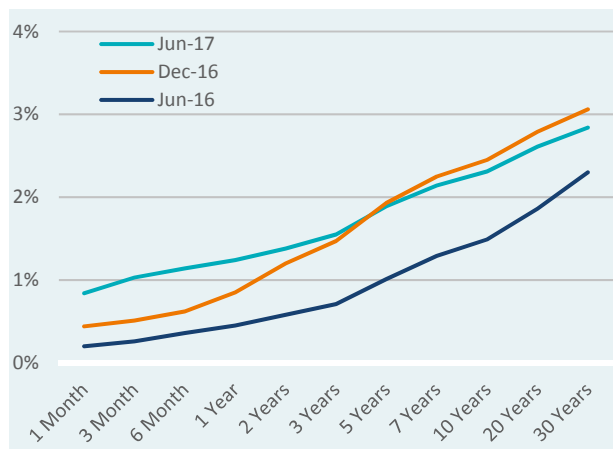


Source: Bloomberg, as of 6/30/17

# Fixed income

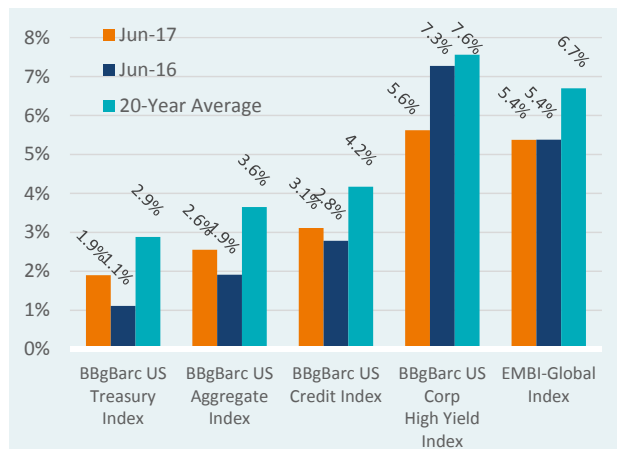
- The U.S. Treasury curve experienced a twist in late June that moved the middle of the curve upward. The U.S. 10-year yield increased by 16 bps between June 26<sup>th</sup> and the 30<sup>th</sup>, ending the month at 2.31%.
- The increase in U.S. 10-year real yields (+18 bps) more than offset the decrease in inflation expectations (-8 bps) and resulted in a modest uptick in nominal yields during the month.
- In June, the FOMC presented a plan to begin normalizing the balance sheet. The initial plan was to run off \$6 billion of Treasuries and \$4 billion of MBS per month. This will be scaled up commensurately every three months to \$50 billion per month.
- Bank loans posted a negative monthly return for the first time since February of 2016, as the Credit Suisse Leveraged Loans index returned -0.6% during the month.

**U.S. TREASURY YIELD CURVE**



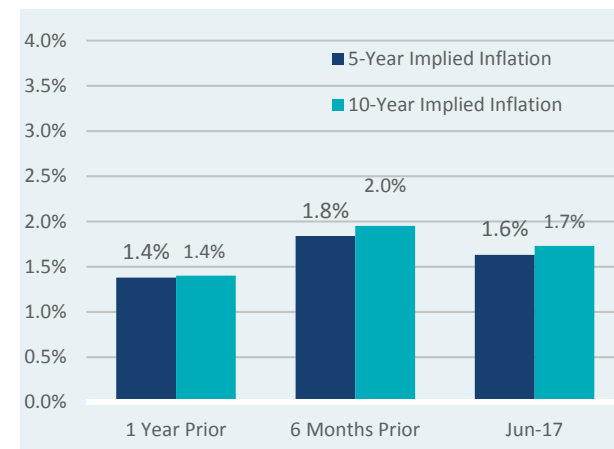
Source: Federal Reserve, as of 6/30/17

**NOMINAL FIXED INCOME YIELDS**



Source: Morningstar, as of 6/30/17

**IMPLIED INFLATION (TIPS BREAKEVEN)**

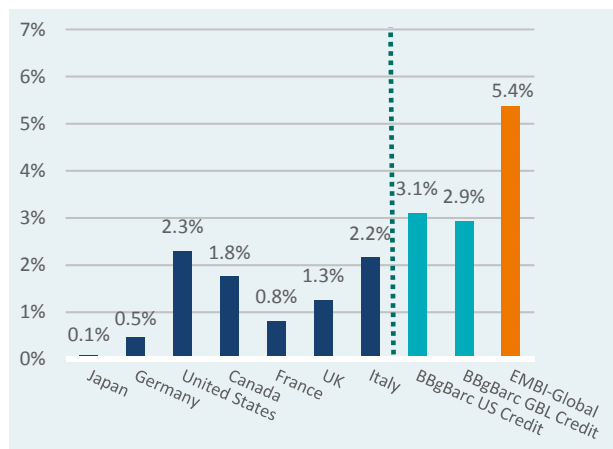


Source: Federal Reserve, as of 6/30/17

# Global markets

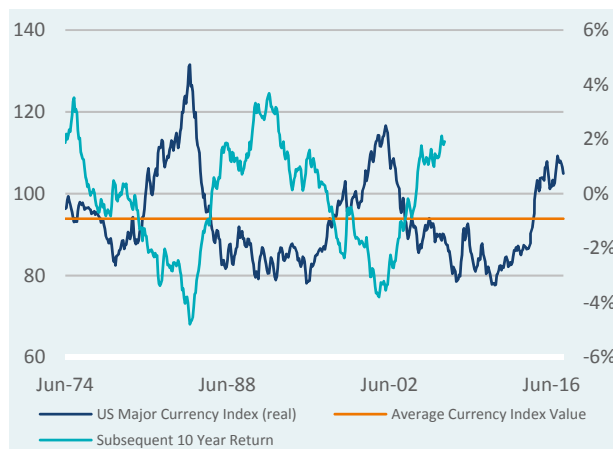
- Global sovereign bond yields were broadly up in June after hawkish comments were released by the ECB and BOE. Canada, the U.K. and Germany experienced the largest change in 10-year yields, increasing by 35 bps, 21 bps and 16 bps, respectively.
- In June, MSCI approved the inclusion of 222 Chinese large cap companies into the MSCI emerging markets index. Starting in 2018, the new domestic shares will represent approximately 0.7% of the index.
- After seven years of investigation the European Union’s antitrust regulator fined Alphabet’s Google €2.4 billion. The ruling could potentially affect future business models across the Technology sector.
- The U.S. major currency index decreased by -1.4% to 104.9 in June against a trade weighted basket of currencies. The index has fallen for three consecutive months (-3.9% year-to-date), but remains above its long-term average of 93.9.

**GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS**



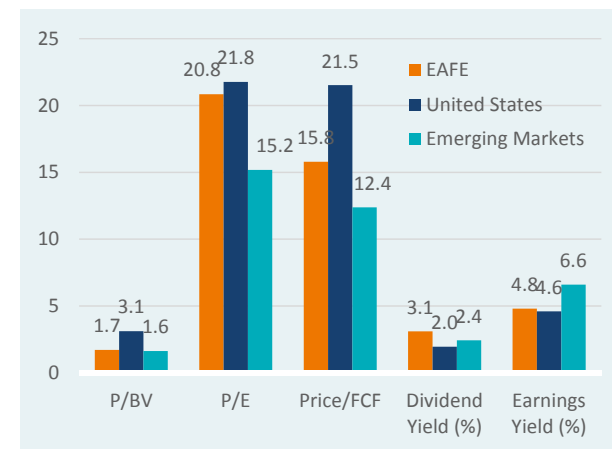
Source: Morningstar, as of 6/30/17

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



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

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



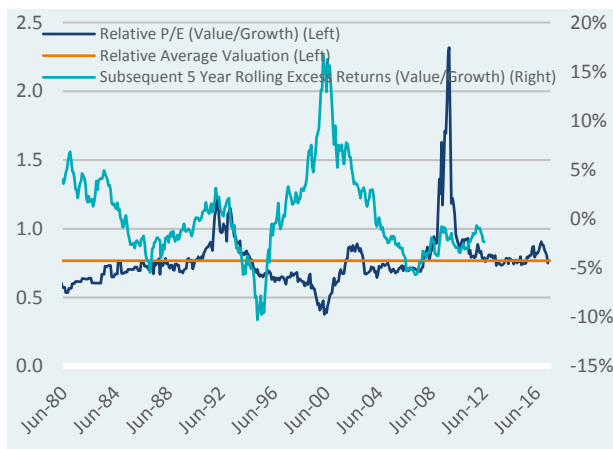
Source: Bloomberg, as of 6/30/17



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

- In June, value equities outperformed growth equities for the first time year-to-date. The Russell 1000 Value Index and Russell 1000 Growth Index returned 1.6% and -0.3% in the month, respectively.
- Value equities benefited from their higher relative concentration to Financial Services and lower concentration to Information Technology. The Russell 1000 Financial Services and Technology sub-indices returned 4.6% and -3.1% in the month, respectively.
- The relative trailing P/E ratio of value to growth equities decreased to 0.75 in June. The ratio was below the long term average of 0.77 for the first time since November of 2015.

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



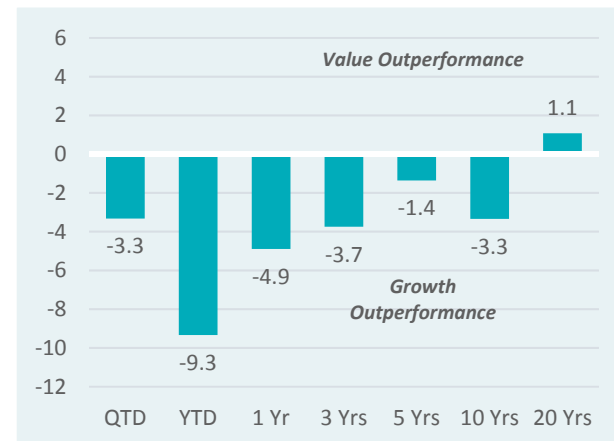
Source: Russell, Bloomberg, as of 6/30/17

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

	RUSSELL 1000 VALUE ANNUALIZED RETURN TO DATE %	RUSSELL 1000 GROWTH ANNUALIZED RETURN TO DATE %
QTD	1.3	4.7
YTD	4.7	14.0
1 YEAR	15.5	20.4
3 YEARS	7.4	11.1
5 YEARS	13.9	15.3
10 YEARS	5.6	8.9
20 YEARS	7.7	6.6
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.70	0.99
5 YEARS	1.36	1.45
10 YEARS	0.39	0.60
20 YEARS	0.43	0.34

Source: Morningstar, as of 6/30/17

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



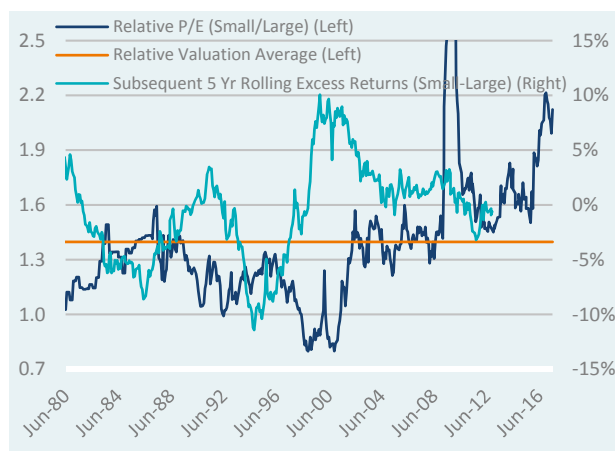
Source: Morningstar, as of 6/30/17

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

- U.S. small cap equities reversed course from May, outperforming large cap equities. In June, the Russell 2000 index and Russell 1000 index returned 3.5% and 0.7%, respectively.
- The relative trailing P/E ratio of small to large equities increased from 1.99 to 2.12 in June. The ratio remains well above its long-term average of 1.40.

- Large cap equities have provided superior risk-adjusted returns (Sharpe ratio) relative to small cap equities over all time periods examined below. The largest difference was over the trailing 5-year period when the Russell 1000 outperformed the Russell 2000 by 1.0% with 4.2% lower realized volatility.

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



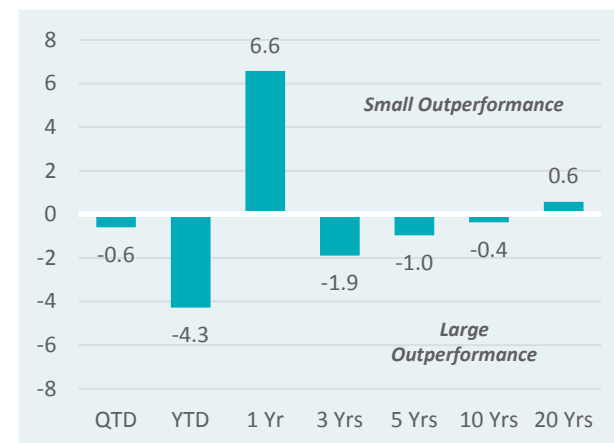
Source: Russell, Bloomberg, as of 6/30/17

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

	RUSSELL 1000 INDEX	RUSSELL 2000 INDEX
	ANNUALIZED RETURN TO DATE %	
QTD	3.1	2.5
YTD	9.3	5.0
1 YEAR	18.0	24.6
3 YEARS	9.3	7.4
5 YEARS	14.7	13.7
10 YEARS	7.3	6.9
20 YEARS	7.4	8.0
	SHARPE RATIO	
3 YEARS	0.88	0.52
5 YEARS	1.45	0.99
10 YEARS	0.50	0.41
20 YEARS	0.41	0.38

Source: Morningstar, as of 6/30/17

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



Source: Morningstar, as of 6/30/17

# Commodities

- In June, the Bloomberg Commodity index posted its fourth consecutive month of negative performance and returned -0.2%.
- WTI crude oil fell by -4.7% in June to \$46.04 per barrel. U.S. crude inventory continued a slight downward trend and decreased by seven million barrels in June. Inventories ended the month at 503 million barrels, well below the recent high on March 31<sup>st</sup> (536 million barrels).

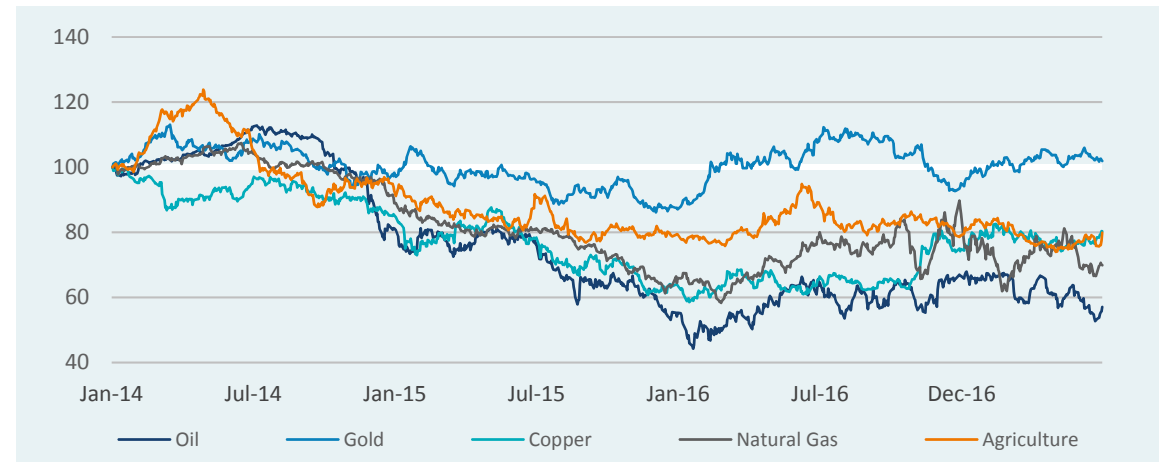
- The Bloomberg Grains sub-index outperformed in June and returned 6.2%. The increase was driven by a 22.5% spike in corn futures, primarily caused by the prospects of a drought in the U.S. northern plains.
- Precious metals underperformed the broad commodity index in June (-0.2%) as the sub-index returned -3.1%. Gold prices fell -2.6% to \$1,242 per ounce and silver -4.5% to \$16.63 per ounce, influenced by a rise in real yields.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(0.2)	(3.0)	(5.3)	(6.5)	(14.8)	(9.2)	(6.5)
Bloomberg Agriculture	3.1	(0.4)	(3.4)	(13.0)	(10.3)	(8.6)	(1.7)
Bloomberg Energy	(3.7)	(9.7)	(20.0)	(14.8)	(31.8)	(17.4)	(17.9)
Bloomberg Grains	6.2	4.5	3.0	(9.7)	(11.1)	(9.6)	(2.7)
Bloomberg Industrial Metals	3.4	(1.2)	6.3	17.5	(5.7)	(4.7)	(6.4)
Bloomberg Livestock	(1.9)	11.2	11.4	5.9	(7.6)	(2.0)	(6.4)
Bloomberg Petroleum	(4.5)	(9.8)	(18.2)	(13.1)	(32.3)	(17.3)	(12.1)
Bloomberg Precious Metals	(3.1)	(3.2)	6.3	(8.4)	(4.2)	(6.9)	5.1
Bloomberg Softs	(6.6)	(14.3)	(18.4)	(22.6)	(12.8)	(10.9)	(2.9)

Source: Morningstar, as of 6/30/17

## COMMODITY PERFORMANCE



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

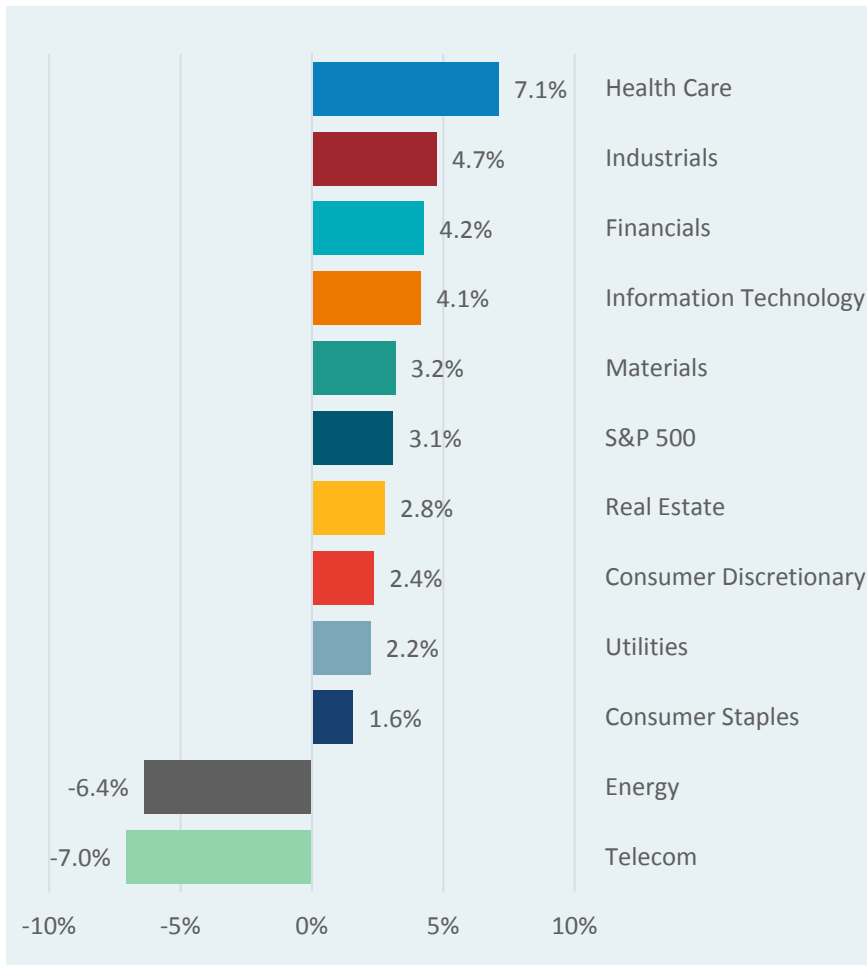
WORST

 Large Cap Equity	 Small Cap Growth	 Commodities
 Large Cap Value	 International Equity	 Real Estate
 Large Cap Growth	 Emerging Markets Equity	 Hedge Funds of Funds
 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.

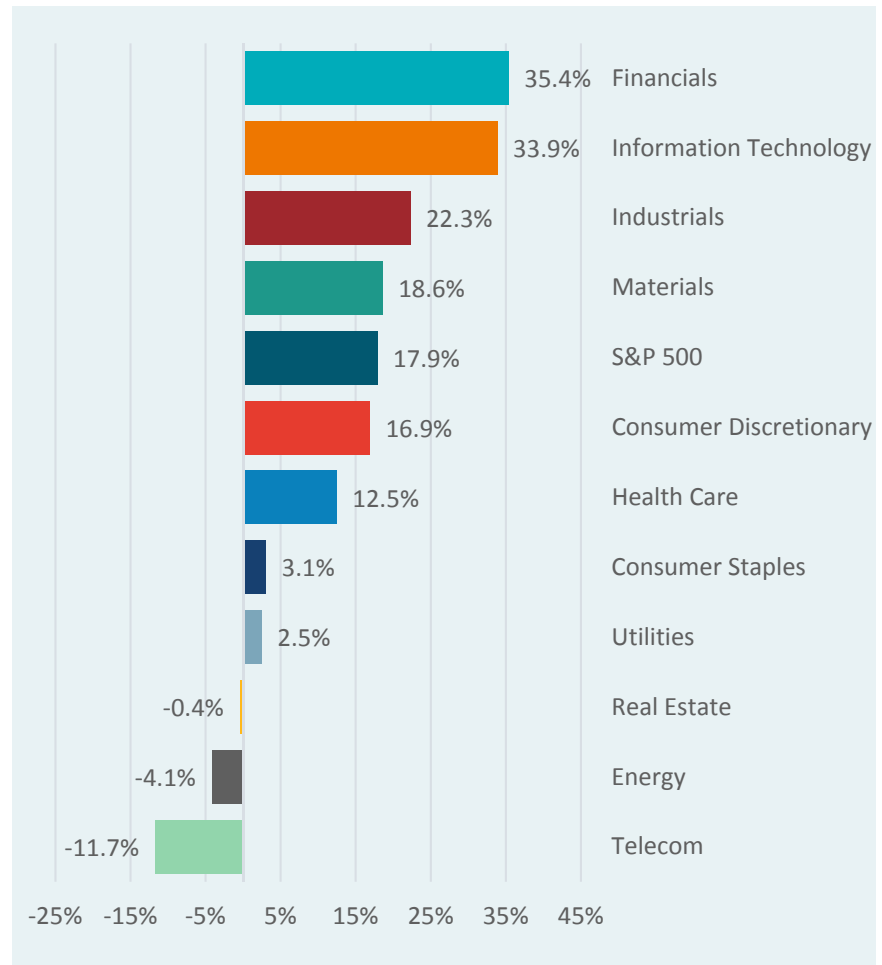
# S&P 500 sector returns

QTD



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

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<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

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<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

**ISM Manufacturing Index** – based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), this report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction and the negative economic direction, and the diffusion index. ([www.instituteforsupplymanagement.org](http://www.instituteforsupplymanagement.org))



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## Board of Trustees

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Date: July 24, 2017

To: Board of Trustees

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

### **Agenda Item 11: Asset Allocation July 2017**

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

The prefunding of \$50.2 million of employer FY17-18 contributions from the County and APCD will need to be allocated and used as a rebalancing opportunity. The attached recommended rebalance exhibit from Verus indicates where these funds are to be allocated during the remainder of July and early August. Staff is in agreement with the Verus recommendation and will initiate the necessary transfers depending on the open dates for the various investment funds (e.g., month end open date) and any requirements for advance notice.

San Luis Obispo County Pension Trust  
Rebalance Analysis  
Balances as of: 07/17/17



Asset Class	Manager	Actual \$	Actual %	Target \$	Target %	RECOMMENDED	New \$	New %	Variance to Targets (%)
						Re-Balance Transfers			
Large Cap Core	SSgA	\$ 11,377,394	0.9%	\$ -	0.0%		\$ 11,377,394	0.9%	0.9%
Large Cap Core	PIMCO RAE	51,453,653	3.9%	52,191,587	4.0%	1,000,000	52,453,653	4.0%	0.0%
Large Cap Growth	Loomis Sayles	74,905,043	5.7%	78,287,381	6.0%	3,000,000	77,905,043	6.0%	0.0%
Large Cap Value	Boston Partners	75,129,755	5.8%	78,287,381	6.0%	3,000,000	78,129,755	6.0%	0.0%
SMID	Atlanta	55,465,644	4.3%	52,191,587	4.0%		55,465,644	4.3%	0.3%
<b>Total Domestic</b>		<b>268,331,489</b>	<b>20.6%</b>	<b>260,957,936</b>	<b>20.0%</b>	<b>7,000,000</b>	<b>275,331,489</b>	<b>21.1%</b>	<b>1.1%</b>
International	Dodge & Cox	164,119,203	12.6%	130,478,968	10.0%		164,119,203	12.6%	2.6%
International	WCM	127,679,026	9.8%	130,478,968	10.0%	3,000,000	130,679,026	10.0%	0.0%
<b>Total International</b>		<b>291,798,229</b>	<b>22.4%</b>	<b>260,957,936</b>	<b>20.0%</b>	<b>3,000,000</b>	<b>294,798,229</b>	<b>22.6%</b>	<b>2.6%</b>
<b>Total Equity</b>		<b>560,129,718</b>	<b>42.9%</b>	<b>521,915,872</b>	<b>40.0%</b>	<b>10,000,000</b>	<b>570,129,718</b>	<b>43.7%</b>	<b>3.7%</b>
Fixed - Domestic	Blackrock	108,172,274	8.3%	97,859,226	7.5%		108,172,274	8.3%	0.8%
Fixed - Domestic	Dodge & Cox	95,289,306	7.3%	97,859,226	7.5%	3,000,000	98,289,306	7.5%	0.0%
Fixed - Int'l	Brandywine	61,902,724	4.7%	65,239,484	5.0%	7,000,000	68,902,724	5.3%	0.3%
Fixed - EMD	Stone Harbor	61,187,573	4.7%	65,239,484	5.0%	7,000,000	68,187,573	5.2%	0.2%
Fixed - Bank Loans	Pacific Asset	67,165,426	5.1%	65,239,484	5.0%		67,165,426	5.1%	0.1%
Fixed - Inflation Protector	SSgA	18,896,381	1.4%	-	0.0%		18,896,381	1.4%	1.4%
<b>Total Fixed</b>		<b>412,613,685</b>	<b>31.6%</b>	<b>391,436,904</b>	<b>30.0%</b>	<b>17,000,000</b>	<b>429,613,685</b>	<b>32.9%</b>	<b>2.9%</b>
Real Estate	Direct RE	13,026,972	1.0%	-	0.0%		13,026,972	1.0%	1.0%
Real Estate	ARA	11,149,843	0.9%	65,239,484	5.0%		11,149,843	0.9%	-4.1%
Real Estate	FREG III	326,434	0.0%	-	0.0%		326,434	0.0%	0.0%
Real Estate	JP Morgan	145,917,278	11.2%	130,478,968	10.0%		145,917,278	11.2%	1.2%
<b>Total Real Estate</b>		<b>170,420,527</b>	<b>13.1%</b>	<b>195,718,452</b>	<b>15.0%</b>	<b>0</b>	<b>170,420,527</b>	<b>13.1%</b>	<b>-1.9%</b>
Commodities	Gresham	35,080,077	2.7%	65,239,484	5.0%		35,080,077	2.7%	-2.3%
<b>Total Commodities</b>		<b>35,080,077</b>	<b>2.7%</b>	<b>65,239,484</b>	<b>5.0%</b>	<b>0</b>	<b>35,080,077</b>	<b>2.7%</b>	<b>-2.3%</b>
Private Credit	TPG	20,577,239	1.6%	65,239,484	5.0%		20,577,239	1.6%	-3.4%
Private Equity	Pathway	664,149	0.1%	32,619,742	2.5%		664,149	0.1%	-2.4%
Private Equity	HarbourVest	11,766,667	0.9%	32,619,742	2.5%		11,766,667	0.9%	-1.6%
<b>Total Alternatives</b>		<b>33,008,056</b>	<b>2.5%</b>	<b>130,478,968</b>	<b>10.0%</b>	<b>0</b>	<b>33,008,056</b>	<b>2.5%</b>	<b>-7.5%</b>
Distressed Credit	PIMCO DCF	1,116,765	0.1%	-	0.0%		1,116,765	0.1%	0.1%
Mezzanine	KKR	8,280,414	0.6%	-	0.0%		8,280,414	0.6%	0.6%
<b>Total Opportunistic</b>		<b>9,397,179</b>	<b>0.7%</b>	<b>-</b>	<b>0.0%</b>	<b>0</b>	<b>9,397,179</b>	<b>0.7%</b>	<b>0.7%</b>
Overlay	Clifton	13,026,589	1.0%	-	0.0%		13,026,589	1.0%	1.0%
Treasury Cash		20,913,852	1.6%	-	0.0%	23,200,000	44,113,852	3.4%	3.4%
Prefunding Contribution		50,200,000	3.8%	-	0.0%	(50,200,000)	-	0.0%	0.0%
<b>Total Assets</b>		<b>\$ 1,304,789,681</b>	<b>100.00%</b>	<b>\$ 1,304,789,681</b>	<b>100.00%</b>	<b>\$ -</b>	<b>\$ 1,304,789,681</b>	<b>100.00%</b>	<b>0.0%</b>

Notes:

Direct RE, ARA, KKR as of 3/31/16

Pacific Asset, SSgA 500, Stone Harbor, JPM Strategic Property, and Gresham as of 5/31/16

Treasury Cash as of 5/31/17

Pathway market value is the sum of calls since inception in April