Pension Trust
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www.SLOPensionTrust.org

San Luis Obispo County Pension Trust
SLOCPT

AGENDA

PENSION TRUST BOARD OF TRUSTEES

Monday, January 22, 2018 9:30 AM
Board of Supervisors Chambers
County Government Center
San Luis Obispo, CA 93408

PUBLIC COMMENT

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

ORGANIZATIONAL

2. Election of Officers (Pursuant to Section 3.05 and Section 3.06 of the By-Laws of the San Luis Obispo County Pension Trust).

3. Committees – appointment of members by President.
   a. Audit Committee (standing committee)
   b. Personnel Committee (standing committee)
   c. Pension Administration System Replacement Committee (ad hoc committee)

CONSENT

4. Minutes of the Regular Meeting of December 28, 2017 (Approve Without Correction).

5. Report of Deposits and Contributions for the month of December 2017 (Receive and File).

6. Report of Service Retirements, Disability Retirements and DROP Participants for the month of December (Receive, Approve and File).

7. Applications & Elections to participate in the Deferred Retirement Option Program (DROP) received through January 5, 2018 (Receive, Approve and File).

8. Option 4 SDRO Approval (Recommend Approval).

9. Monthly Investment Report for November 2017 (Receive and File).

APPLICATIONS FOR DISABILITY RETIREMENT

10. Application for Industrial Disability Retirement (Case 2017-06) (Recommend Approval).

OLD BUSINESS

None

NEW BUSINESS

11. 2017 Actuarial Audit – Preliminary Report – Mary Beth Redding, Actuary, Bartel Associates - (Review, Discuss, and Direct Staff as necessary).

INVESTMENTS

12. Annual Cashflow Analysis (Receive and File).

13. Monthly Investment Report for December 2017 (Receive and File).

14. Asset Allocation - (Review, Discuss, and Direct Staff as necessary).

OPERATIONS

15. Staff Reports

16. General Counsel Reports

17. Committee Reports:
    a. Audit Committee — No Report
    b. Personnel Committee — No Report
    c. PAS Replacement Committee — Report

18. Upcoming Board Topics (subject to change):

    a. February 26, 2018
        i. Disability case 2017-03 Hearing Referee recommendation
        ii. Disability case TBD
        iii. 2018 Retiree COLA
        iv. 2018 Actuarial Valuation and Experience Study Planning – Gabriel Roeder Smith
        v. Quarterly Investment Report
        vi. Capital Market Expectations & Asset Allocation Policy – Verus
        vii. Private Equity Policy - Verus
        viii. Investment Policy Peer Comparisons

    b. March 26, 2018
        i. Disability case TBD
        ii. 2017 Actuarial Audit – Final report
        iii. Employer contribution prefunding
        iv. Alternative Investments Fee disclosure – Calif. Code 7514.7 / AB2833

    c. April 23, 2018
        i. Pension Trust FY18-19 Budget – preliminary
        ii. Fiduciary Refresher Training
        iii. Conflict of Interest Policy biennial review

19. Trustee Comments

REFERRED ITEMS

None

ADDED ITEMS

None

CLOSED SESSION

None

ADJOURNMENT

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DECEMBER 18, 2017
MINUTES
OF THE REGULAR MEETING OF THE PENSION TRUST
BOARD OF TRUSTEES

BOARD MEMBERS PRESENT:	**Matt Janssen, President**
	Will Clemens, Vice President
	Gere Sibbach
	Jim Hamilton
	Jim Erb
	Jeff Hamm
BOARD MEMBERS ABSENT:	**Guy Savage**
STAFF:	**Carl Nelson**
	Andrea Paley
	Amy Burke
COUNSEL:	**Chris Waddell, Esq. (via telephone)**
OTHERS:	**Dan Andoetoe, Retiree**

The meeting was called to order by President Janssen at 9:30 AM, who presided over same.

AGENDA ITEM NO. 1: PUBLIC COMMENT.

None.

ORGANIZATIONAL:

None.

CONSENT:

AGENDA ITEM NO. 2 - 7: CONSENT.

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

ITEM 2: The Minutes of the Regular Meeting of November 27, 2017 were approved without correction.

ITEM 3: The Report of Deposits and Contributions for the Month of November 2017, was received and filed.

ITEM 4: The Report of Service Retirements, Disability and DROP Retirements for the month of November 2017, was received, approved and filed.

ITEM 5: The Report of Applications for participation in the Deferred Retirement Option Program received through December 1, 2017, as amended with one rescission, was received, approved and filed.

ITEM 6: The Option 4 SDRO for Member Robert Crout was approved.

ITEM 7: The Option 4 SDRO for Member Robert G. Burgeson was approved.

APPLICATIONS FOR DISABILITY RETIREMENT:

None.

OLD BUSINESS:

None.

NEW BUSINESS:

AGENDA ITEM NO. 8: ACTUARIAL ASSUMPTIONS PEER COMPARISONS.

Upon the motion of Mr. Hamm, seconded by Mr. Janssen, and unanimously passed, the Report on Actuarial Assumptions Peer Comparisons was received and filed.

INVESTMENTS:

AGENDA ITEM NO. 9: MONTHLY INVESTMENT REPORT FOR NOVEMBER 2017.

Data for this report was not available for distribution at this meeting. Upon receipt of the data, the report will be distributed to be received and filed at the January meeting.

AGENDA ITEM NO. 10: ASSET ALLOCATION.

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

OPERATIONS:

AGENDA ITEM NO. 11: STAFF ORAL REPORTS.

A) Staff reported that the health plan open enrollment for county retirees has been completed and all premiums have been updated for processing for the January payroll.

B) Staff reported on the most current information pertaining to the Federal tax bill and potential impacts on the Pension Trust and 457 Deferred Compensation programs.

C) Staff reported that the new Director of APCD has requested that Pension Trust staff attend the January APCD Board Meeting to deliver a short summary on the status of the Pension Trust and to be prepared to answer questions from the APCD board.

AGENDA ITEM NO. 12: GENERAL COUNSEL ORAL REPORTS.

Nothing to report.

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

A) AUDIT COMMITTEE: Nothing to report.

B) PERSONNEL COMMITTEE: Nothing to report.

C) PENSION ADMINISTRATION SYSTEM ADMINISTRATION (PASR) COMMITTEE: 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.

Trustee Clemens reported on his recent attendance to the Nossamen Fiduciaries Forum held in San Francisco. He said it was a good forum presented mostly by Attorneys representing the Nossamen firm. There was a lot of information on fiduciary challenges, contracts, litigation parameters and a lot of focus on cyber security, harassment and having an assessment and response team in place to deal with those kinds of issues.

REFERRED ITEMS: None.

ADDED ITEMS: None.

CLOSED SESSION: None.

ADJOURNMENT.

There being no further business, the meeting was adjourned at 10:26 AM. The next Regular Meeting was set for January 22, 2018, 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

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REPORT OF DEPOSITS AND CONTRIBUTIONS FOR THE MONTH OF
DECEMBER 2017

PP 25	**12/8/2017** **By Employer and Tier:**	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	**TOTAL Contributions**
	County Tier 1	4,031,823.22	891,563.52	22.11%	755,499.08	18.74%	40.85%	1,537.50	11,062.88	**1,659,662.98**
	County Tier 2	934,680.49	211,267.54	22.60%	113,368.59	12.13%	34.73%	292.33	709.70	**325,638.16**
	County Tier 3	2,143,596.43	449,549.58	20.97%	224,433.33	10.47%	31.44%	-	585.31	**674,568.22**
	Superior Court Tier 1	288,084.79	69,150.38	24.00%	43,943.38	15.25%	39.26%	-	-	**113,093.76**
	Superior Court Tier 3	50,311.72	9,680.70	19.24%	4,439.43	8.82%	28.07%	-	114.54	**14,234.67**
	APCD Tier 1	78,142.76	16,454.17	21.06%	14,458.69	18.50%	39.56%	-	-	**30,912.86**
	APCD Tier 3	7,458.40	1,553.30	20.83%	826.94	11.09%	31.91%	-	-	**2,380.24**
	Pension Trust Staff Tier 1	7,168.55	1,572.78	21.94%	1,464.54	20.43%	42.37%	-	-	**3,037.32**
	Pension Trust Staff Tier 2	7,936.80	1,741.33	21.94%	865.11	10.90%	32.84%	-	-	**2,606.44**
	Pension Trust Staff Tier 3	8,553.67	1,834.76	21.45%	1,011.87	11.83%	33.28%	-	-	**2,846.63**
	LAFCO Tier 1	12,494.29	3,248.51	26.00%	1,996.22	15.98%	41.98%	-	-	**5,244.73**
		7,570,251.12	1,657,616.57	21.90%	1,162,307.18	15.35%	37.25%	1,829.83	12,472.43	**$ 2,834,226.01**

PP 26	**12/22/2017** **By Employer and Tier:**	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	**TOTAL Contributions**
	County Tier 1	4,022,614.44	886,907.28	22.12%	751,751.49	18.74%	40.86%	1,537.50	44,091.14	**1,684,287.41**
	County Tier 2	937,231.71	212,222.25	22.64%	113,987.77	12.16%	34.81%	293.75	709.70	**327,213.47**
	County Tier 3	2,161,374.21	454,198.61	21.01%	227,097.05	10.51%	31.52%	-	832.64	**682,128.30**
	Superior Court Tier 1	280,100.65	67,128.70	23.97%	42,655.34	15.23%	39.19%	-	-	**109,784.04**
	Superior Court Tier 3	49,906.26	9,593.64	19.22%	4,407.08	8.83%	28.05%	-	114.54	**14,115.26**
	APCD Tier 1	76,277.65	16,069.40	21.07%	14,104.11	18.49%	39.56%	-	-	**30,173.51**
	APCD Tier 3	10,256.85	2,116.91	20.64%	1,092.28	10.65%	31.29%	-	-	**3,209.19**
	Pension Trust Staff Tier 1	7,168.55	1,572.78	21.94%	1,464.54	20.43%	42.37%	-	-	**3,037.32**
	Pension Trust Staff Tier 2	7,936.80	1,741.33	21.94%	865.11	10.90%	32.84%	-	-	**2,606.44**
	Pension Trust Staff Tier 3	8,961.64	1,922.28	21.45%	1,057.28	11.80%	33.25%	-	-	**2,979.56**
	LAFCO Tier 1	12,494.29	3,248.51	26.00%	1,996.22	15.98%	41.98%	-	-	**5,244.73**
		7,574,323.05	1,656,721.69	21.87%	1,160,478.27	15.32%	37.19%	1,831.25	45,748.02	**$ 2,864,779.23**

	Pensionable Salary	Employer Contributions	Employer Rate	Employee Contributions	Employee Rate	Combined Rate	Additional Contributions	Buy Backs	TOTAL Contributions
TOTAL FOR THE MONTH	**15,144,574.17**	**3,314,338.26**	**21.88%**	**2,322,785.45**	**15.34%**	**37.22%**	**3,661.08**	**58,220.45**	**$ 5,699,005.24**
TOTAL YEAR TO DATE	**192,735,873.56**	**42,060,181.73**	**21.82%**	**29,838,567.36**	**15.48%**	**37.30%**	**61,194.69**	**358,165.56**	**72,318,109.34**
PRIOR YEAR COMPARISON	**180,728,417.07**	**35,267,230.30**	**19.51%**	**24,785,111.26**	**13.71%**	**33.23%**	**195,766.06**	**281,627.02**	**60,529,734.64**
% CHANGE FROM PRIOR YEAR	6.64%	19.26%	2.31%	20.39%	1.77%	4.07%	-68.74%	27.18%	19.48%

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REPORT OF SERVICE & DISABILITY RETIREMENTS & DROP PARTICIPANTS FOR THE MONTH OF:	DECEMBER 2017

RETIREE NAME	DEPARTMENT	DATE	MONTHLY ALLOWANCE
ALLEN, LARRY	APCD	12-30-2017	Awaiting calcs
BENEDIX, DEAN	PUBLIC WORKS	12-02-2017	5491.26
BENFIELD, LINDA	AUDITOR-CONTR-TREAS-TAX-COLL	12-30-2017	Option selection
BOUTTE, ARMAND	PUBLIC WORKS	12-30-2017	4259.66
BOWEN, BRENDA	SUPERIOR COURT	12-30-2017	Option selection
BRUCE, CREED	PUBLIC WORKS	12-30-2017	4152.42
CALI, MARK	SUPERIOR COURT	12-02-2017	2131.61
CARUSO, JAMES	PLANNING	12-30-2017	5356.96 1766.00** 9,89*
CHARLTON, SUNNY	PROBATION	12-16-2017	1887.05
CLERKIN, EDWARD	SOCIAL SERVICES	12-30-2017	7826.27
CUNNINGHAM, LEE	DISTRICT ATTORNEY	12-30-2017	13326.59 12.29*
DUCKWORTH, CLAUDIA	SUPERIOR COURT	12-02-2017	2021.53
DURAN, DIANE	SUPERIOR COURT	12-30-2017	2937.74 77.33*
FERRARO, KAREN	BEHAVIORAL HEALTH	12-30-2017	2251.90 10.02*
FRAZIER, MICHELLE	SUPERIOR COURT	12-30-2017	9145.22 78.28*
GIBSON, CHERIEE McKEE (DROP)	BOARD OF SUPERVISORS	12-01-2017	4177.83 2.66*
LONG, JULIA MEYERS	PUBLIC WORKS	12-30-2017	Option selection
MANN, MARSHA	SHERIFF-CORONER	12-30-2017	2138.04
MAYES, KIMBERLEY	AUDITOR-CONTR-TREAS-TAX-COLL	12-15-2017	2462.36 1060.00**
McCALLISTER, D. DIANE	GENERAL HOSPITAL / RESERVE	12-01-2017	Option selection
MIRANDA, PAUL	SHERIFF-CORONER / RECIPROCAL	12-02-2017	Option selection
ODELL, LINDA	SOCIAL SERVICES	12-30-2017	1849.94
PELLITERI, BEVERLY	SOCIAL SERVICES	12-02-2017	1973.71
PIETRYZK-JIMENEZ, LUISE	BEHAVIORAL HEALTH	12-30-2017	4042.31
SCHULZ, CLAUDIA	PUBLIC HEALTH	12-30-2017	903.16
SCHUMANN, INGRID	APCD	12-02-2017	880.64 281.75**

RETIREE NAME	DEPARTMENT	DATE	MONTHLY ALLOWANCE
SIMOULIS, RICHARD	PUBLIC WORKS	12-30-2017	4128.46 1577.00** 58.14*
TACKET, ARTHUR	MENTAL HEALTH / RECIPROCAL	12-30-2017	Awaiting calcs
UPDEGROVE, CRAIG	MENTAL HEALTH / RESERVE	12-01-2017	Option selection
VESNAVER, BECKY	PUBLIC HEALTH	12-23-2017	4087.05
WHITLEY, COLLEEN	PROBATION	12-30-2017	2914.99 1475.00** 51.06*
ZUKOWSKI, JEFF	PLANNING	12-16-2017	3438.42
ADDENDUM:			
TRYON, ROSE	SOCIAL SERVICES / RECIPROCAL	04-01-2017	203.61
CAMERON, SUSAN	LAW ENFORCEMENT MEDICAL CARE / RESERVE	08-01-2017	2552.59 1102.78**
HURLA, BERTA	GENERAL HOSPITAL / RESERVE	08-06-2017	Option selection
GARRETT, MARY	BEHAVIORAL HEALTH	09-22-2017	1268.78
OLSON, DEBBIE	SHERIFF-CORONER / ALTERNATE PAYEE	09-01-2017	Option selection
JORDISON, RITA (DROP)	BEHAVIORAL HEALTH	11-01-2017	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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San Luis Obispo County Pension Trust

SLOCPT

Date: January 22, 2018

To: Board of Trustees

From: Carl Nelson – Executive Secretary

Agenda Item 7: Applications & Elections to Participate in the Defered 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:

No applications received for this meeting.

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Date: December 23, 2017

To: Board of Trustees

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

Agenda Item 9: Investment Report for November 2017

	November	**Year to Date 2017**	2016	2015	2014	2013
Total Trust Investments ($ 000s)	$1,341,948		$1,196,775 year end	$1,148,315 year end	$1,190,316 year end	$1,131,022 year end
Total Fund Return	1.0% Gross	**14.1**% Gross	6.6 % Gross	-0.8 % Gross	5.1 % Gross	13.8% Gross
Policy Index Return (r)	0.9%	11.9%	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 and Capital Markets:

Some significant factors in the economy for November and into mid-December have been –

- **Tax Policy** – The large tax policy changes from the Tax Cut and Jobs Act (TCJA) as it moved through the House and Senate reconciliation process to final approval have been the focus of many rushed analyses. Some highlight issues noted in a variety of commentators' publications include –

- Stock market valuations positively impacted by the prospect of a tax-driven increase in corporate earnings.

- GDP growth may be modestly improved in the near term, but the ability of the mature U.S. economy to grow much more than 2% long term is unlikely. In particular, the current GDP growth cycle that is long by historical standards, slowing productivity gains and a domestic economy operating at near full employment limit future growth rates.

- High probability of the widely expected $1 trillion or more increase in the Federal deficit putting upward pressure on interest rates in the intermediate term.

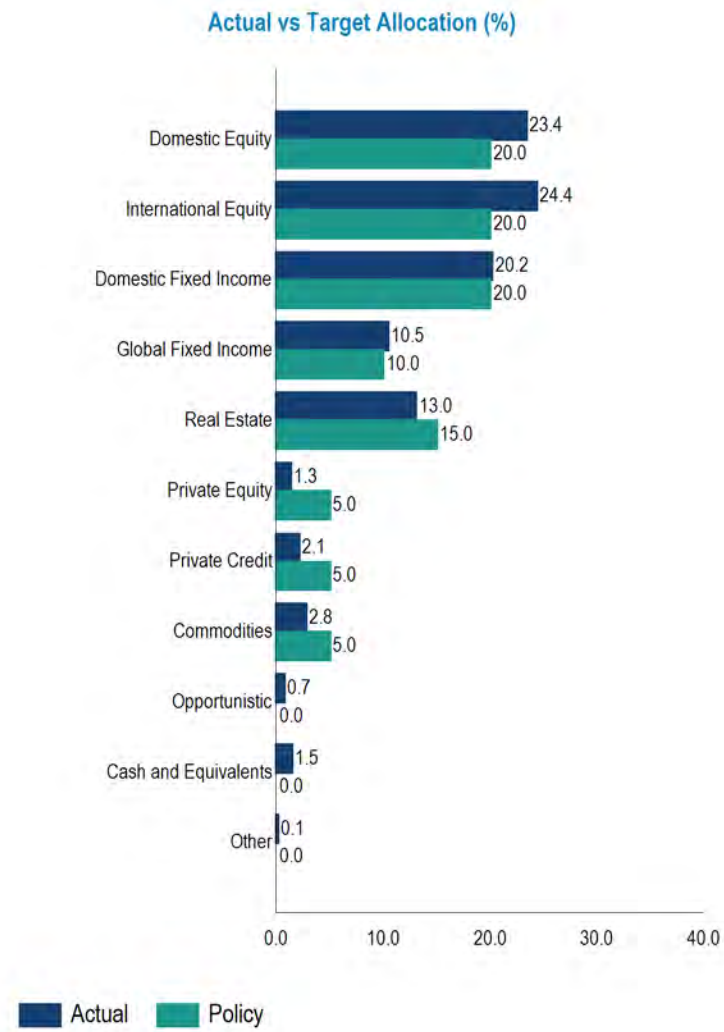
- **Fed Policy –** As expected, the Fed increased its target range for Fed Funds one more notch to the 1.25% to 1.50% range in December. This is consistent with the Fed policy of stable and predictable rate normalization. The Fed predicts three more rate hikes in 2018 while the bond markets imply two 2018 rate increases. The Fed process of unwinding its balance sheet from the unprecedented levels under quantitative easing continues on the path predicted by the Fed – reassuring to the capital markets.

- **GDP Growth, Corporate Earnings and Equity Valuations –** With the synchronized global growth across most economies, market optimism on GDP growth remains high. Domestic GDP growth in 3Q17 was updated to a 3.3% annualized rate following a 2.6% GDP growth in 2Q17. The Atlanta Fed GDP forecast for 4Q17 currently stands at a +3.2% rate. Strong retail sales in November beat market expectations adding further to market optimism. Likewise, reported corporate earnings for 3Q17 have closed the gap on the above historical level of equity market price/earnings ratios. However, P/E ratios remain well above historical trends suggesting caution relative to market risk.

SLOCPT Investment Returns:

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

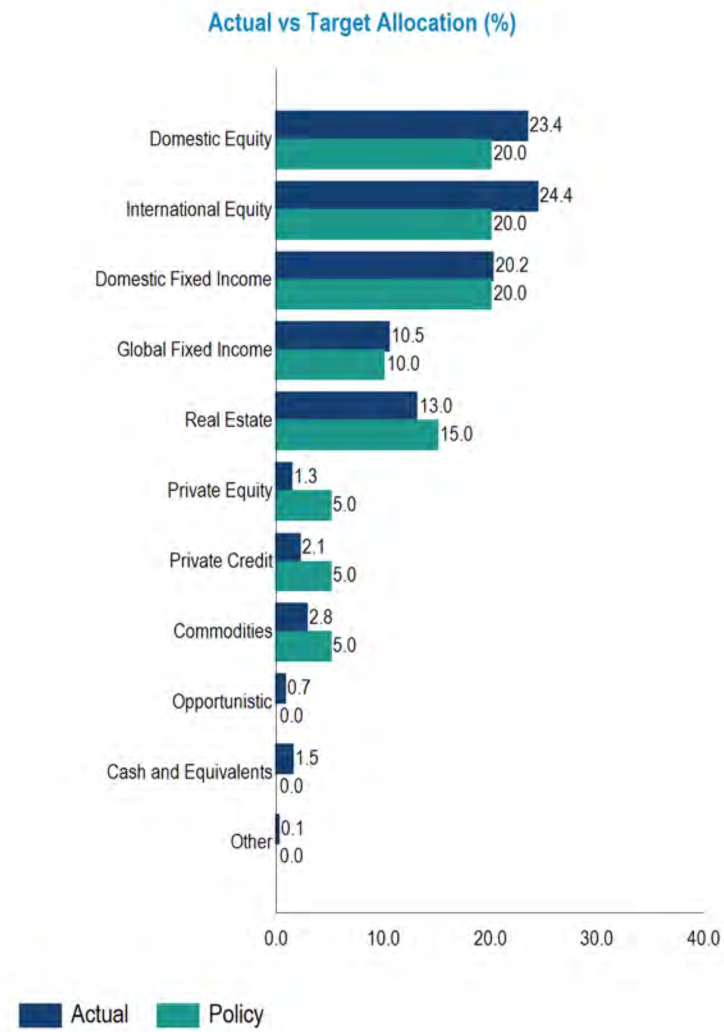
	Market Value	% of Portfolio	1 Mo	QTD	YTD
Total Fund	**1,341,948,007**	**100.0**	**1.0**	**2.0**	**14.1**
Total Fund ex Clifton	1,340,160,041	99.9	1.0	2.0	14.0
Policy Index			*0.9*	*2.0*	*11.9*
Total Domestic Equity	**314,025,388**	**23.4**	**3.4**	**6.2**	**23.7**
Russell 3000			*3.0*	*5.3*	*19.9*
SSGA S&P 500 Flag.	12,346,855	0.9	3.1	5.5	20.5
S&P 500			*3.1*	*5.5*	*20.5*
PIMCO RAE Fundamental PLUS Instl	58,212,778	4.3	3.5	5.1	14.6
S&P 500			*3.1*	*5.5*	*20.5*
Loomis Sayles Large Cap Growth	96,674,787	7.2	2.9	6.3	33.9
Russell 1000 Growth			*3.0*	*7.0*	*29.2*
Boston Partners Large Cap Value	84,657,358	6.3	2.9	4.9	--
Russell 1000 Value			*3.1*	*3.8*	--
Atlanta Capital Mgmt	62,133,611	4.6	5.1	9.1	26.1
Russell 2500			*3.3*	*4.9*	*16.4*
Total International Equity	**326,866,264**	**24.4**	**0.1**	**1.4**	**24.3**
MSCI ACWI ex USA Gross			*0.8*	*2.7*	*24.9*
Dodge & Cox Intl Stock	168,525,332	12.6	-0.5	-0.7	22.2
MSCI EAFE Gross			*1.1*	*2.6*	*23.6*
WCM International Growth	158,340,932	11.8	0.8	3.8	--
MSCI ACWI ex USA Gross			*0.8*	*2.7*	--
Total Domestic Fixed Income	**270,729,373**	**20.2**	**0.0**	**0.3**	**3.8**
BBgBarc US Aggregate TR			*-0.1*	*-0.1*	*3.1*
BlackRock Core Bond	95,225,082	7.1	-0.1	0.0	--
BBgBarc US Aggregate TR			*-0.1*	*-0.1*	--
Dodge & Cox Income Fund	99,894,318	7.4	0.0	0.1	--
BBgBarc US Aggregate TR			*-0.1*	*-0.1*	--
Pacific Asset Corporate Loan	68,471,324	5.1	0.2	0.9	4.4
S&P/LSTA Leveraged Loan Index			*0.1*	*0.7*	*3.7*
SSGA TIPS	7,138,649	0.5	0.1	0.3	2.1
BBgBarc US TIPS TR			*0.1*	*0.3*	*2.1*



**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 9/30/2017 +/- 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.

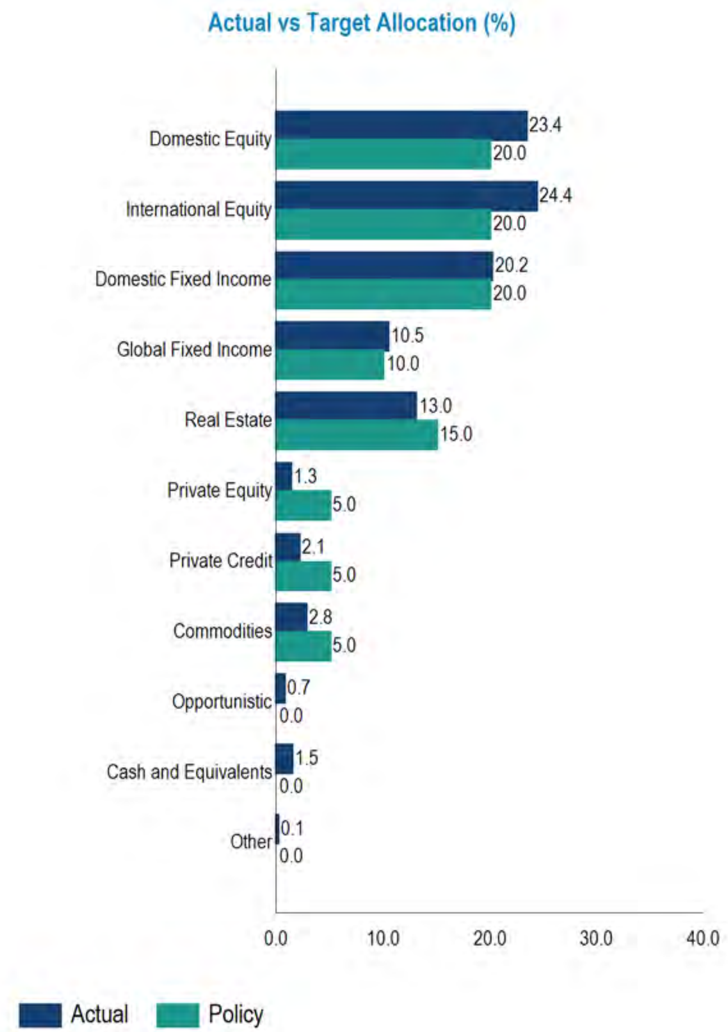
	Market Value	% of Portfolio	1 Mo	QTD	YTD
Total Global Fixed	**140,349,767**	**10.5**	**1.5**	**-1.3**	**12.8**
Citi World Govt Bond Index			*1.4*	*0.9*	*7.3*
Brandywine Global Fixed Income	71,050,588	5.3	1.5	-1.0	11.6
Citi WGBI ex US			*2.3*	*1.5*	*10.2*
Stone Harbor Local Markets Ins	69,299,179	5.2	1.4	-1.6	13.9
JPM GBI-EM Global Diversified TR USD			*1.7*	*-1.2*	*12.9*
Total Real Estate	**175,039,335**	**13.0**	**0.3**	**1.1**	**6.9**
NCREIF Property Index					
JP Morgan Core Real Estate	149,612,464	11.1	0.3	0.6	5.2
NCREIF-ODCE					
NCREIF Property Index					
ARA American Strategic Value Realty	11,657,191	0.9	0.0	2.1	7.4
NCREIF-ODCE					
NCREIF Property Index					
Direct Real Estate	13,740,274	1.0	0.0	5.4	20.6
NCREIF-ODCE					
NCREIF Property Index					
Fidelity Real Estate Growth III	29,407	0.0	11.5	11.2	-25.1
NCREIF-ODCE					
NCREIF Property Index					
Total Commodities	**37,442,090**	**2.8**	**0.2**	**2.9**	**2.5**
Bloomberg Commodity Index TR USD			*-0.5*	*1.7*	*-1.2*
Gresham MTAP Commodity Builder	37,442,090	2.8	0.2	2.9	2.5
Bloomberg Commodity Index TR USD			*-0.5*	*1.7*	*-1.2*
Total Private Equity	**17,903,459**	**1.3**			
Harbourvest Partners IX Buyout Fund L.P.	12,821,147	1.0			
Pathway Private Equity Fund Investors 9 L.P.	5,082,312	0.4			
Russell 3000 +3%					



**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 9/30/2017 +/- 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.

	Market Value	% of Portfolio	1 Mo	QTD	YTD
Total Private Credit	**28,419,644**	**2.1**			
TPG Diversified Credit Program	28,419,644	2.1			
BBgBarc High Yield +2% (Lagged)					
Total Cash	**19,675,340**	**1.5**	**0.0**	**0.4**	**1.0**
91 Day T-Bills			*0.1*	*0.2*	*0.8*
Cash Account	19,675,340	1.5	0.0	0.4	1.0
91 Day T-Bills			*0.1*	*0.2*	*0.8*
Total Opportunistic	**9,709,380**	**0.7**			
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	8,460,682	0.6			
PIMCO Distressed Credit Fund	1,248,698	0.1			
CPI + 5%					



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Verus

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

NOVEMBER 2017

Capital Markets Update

Agenda Item 9

Market commentary

ECONOMIC CLIMATE

— Real U.S. GDP was revised upward to 3.3% from 3.0% (QoQ annualized). An increase in business investment offset a small downward revision in consumer spending.

— As of December 5th, the Q4 Atlanta Fed GDPNow forecast for real U.S. GDP growth was 3.2% (QoQ annualized).

— Retail Sales increased 0.8% in November, above the consensus estimate of 0.2%, led by an unexpected increase in online sales. The prior month's sales were also revised upward from 0.2% to 0.5%. Core Retail Sales increased 1.0% in the month, above the consensus estimate of a 0.6%.

— The U.S. dollar resumed its downward trend in November and depreciated by 1.6% against a basket of major currencies. The Bloomberg Dollar Spot index ended the month down 9.0% year-to-date.

— Headline CPI increased by 2.2% YoY in November, up 20 bps from October, affected by higher gasoline prices. Core CPI increased by 1.7% YoY, down 10 bps from the prior month.

DOMESTIC EQUITIES

— Domestic equities realized their 13th consecutive month of positive performance – the S&P 500 returned 3.1%.

— According to FactSet, as of December 8th, the estimated Q4 earnings growth rate for the S&P 500 is 10.6% YoY. All eleven sectors are projected to have positive earnings growth, led by energy. Revenue growth is projected to be 6.3% YoY.

DOMESTIC FIXED INCOME

— Domestic fixed income returns were slightly negative in November as the Bloomberg Barclays U.S. Aggregate Index returned -0.1%.

— U.S. high yield spreads ended the month slightly higher at 3.6%, after briefly reaching 4.0% on November 15th.

— The U.S. Treasury yield curve flattened over the month, as the 10-year minus 2-year spread contracted 14 bps to 0.64%. The flattening was mostly caused by rising yields on the short-end of the curve (the 2-year yield rose 18 bps to 1.78%).

INTERNATIONAL MARKETS

— International equities (MSCI ACWI ex U.S. +0.8%) underperformed domestic equities in November (S&P 500 +3.1%). The hedged MSCI ACWI ex U.S. Index returned -0.5% in the month.

— U.K. Manufacturing PMI increased from 56.6 to 58.2 in November, the highest reading since December 2013. Output, new orders, and employment sub-indices led gains during the month.

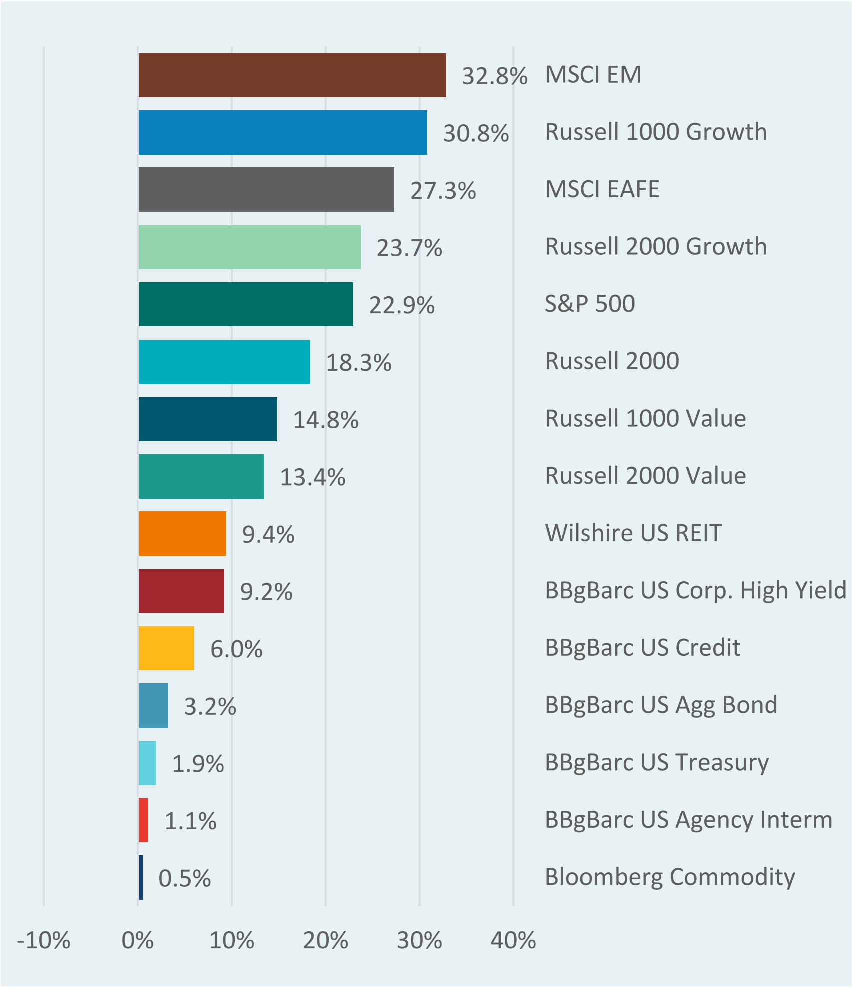
— The Eurozone labor market continued to tighten as unemployment fell to 8.8% in October, down from 8.9% in September, and 9.8% in October 2016.

— Eurozone Consumer Confidence rose to 114.6 in November, up from 114.1 in October and well above the long-term average of 100.0. Consumers also reported increased expectations of future inflation.

— The Bank of Korea raised its benchmark interest rate for the first time since 2011. This may mark a turning point for central banks in Asia as inflation pressures mount and policy makers look to avoid a divergence from global lending rates.

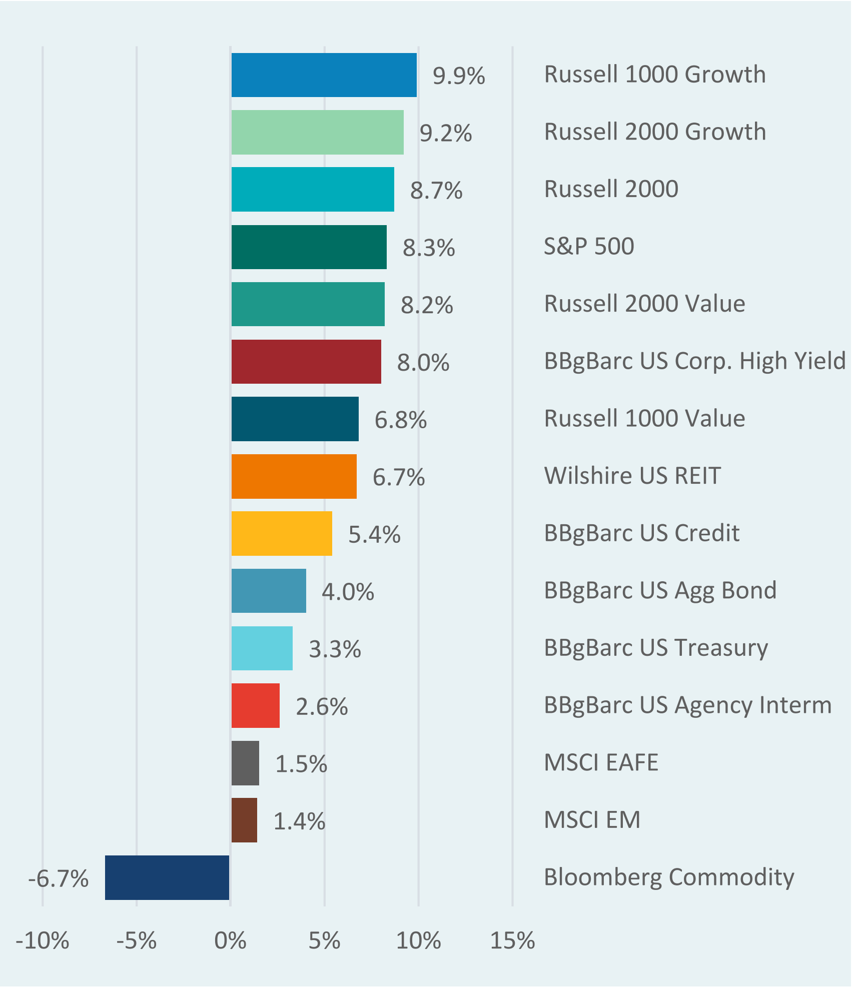
Major asset class returns

ONE YEAR ENDING NOVEMBER



Source: Morningstar, as of 11/30/17

TEN YEARS ENDING NOVEMBER



Source: Morningstar, as of 11/30/17

U.S. large cap equities

— Domestic large cap equities appreciated by 3.1% in November (S&P 500). Realized volatility remained subdued at 6.3% (annualized), well below the 5-year average of 11.9%.

— According to FactSet, the final Q3 earnings growth rate of the S&P 500 was 6.3% YoY, led by Energy and Information Technology at 135.1% and 20.0%, respectively. Revenue growth was 5.8% YoY, above the September 30th estimate of 4.9%.

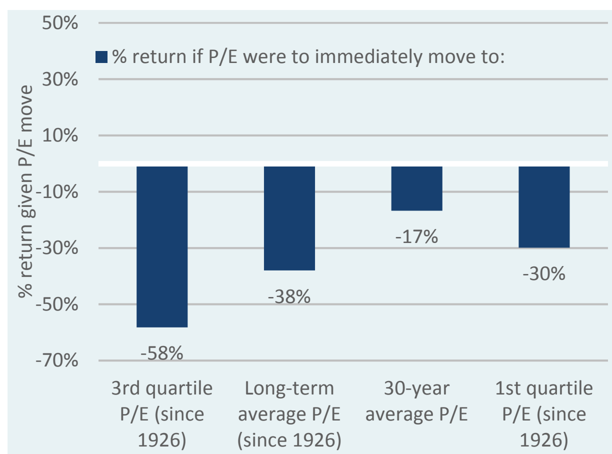
— On December 2nd, the Senate voted to approve their version of the tax bill. The bill will move into a reconciliation phase where the House and Senate work out differences between the proposed bills, before drafting a final bill for Congressional approval.

— Despite strong earnings growth during the quarter, valuations continued to rise as the S&P 500 trailing P/E ratio increased to 22.3 in November from 21.7 in October.

U.S. LARGE CAP EQUITIES

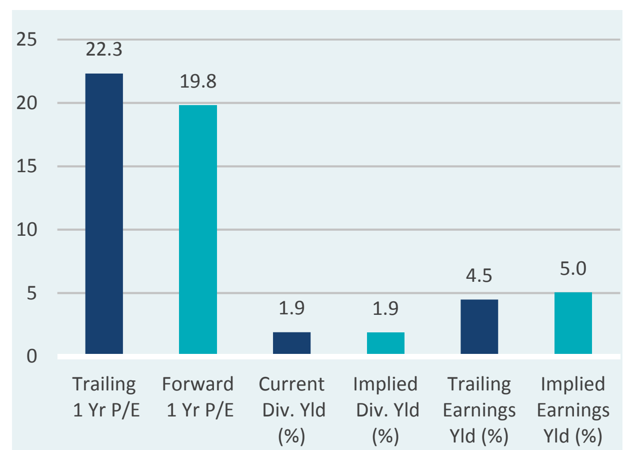
Source: Bloomberg, as of 11/30/17

RETURNS IF TRAILING P/E MOVED TO HISTORIC AVERAGE



Source: Yale/Shiller, Verus, as of 11/30/17

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 11/30/17

Fixed income

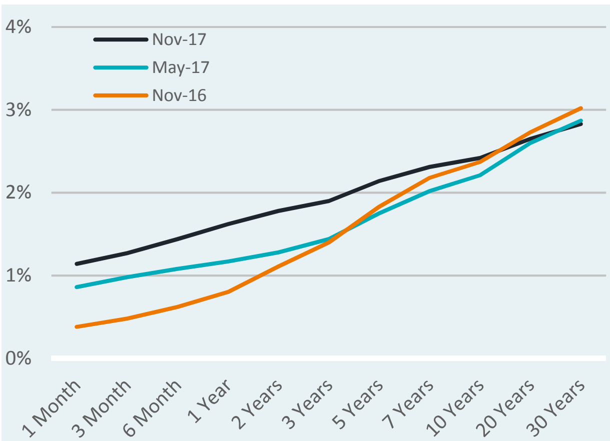
— The U.S. Treasury yield curve flattened modestly in November. The 10-year minus 2-year spread fell 14 bps to 0.64%. The long duration BBgBarc US Treasury Long Index (+0.7%) outperformed the broad U.S. Treasury Index (-0.1%) over the month.

— President Trump nominated Federal Reserve Governor Jerome Powell to serve as the next chairman of the Federal Reserve and Marvin Goodfriend to serve on the Fed's board of governors. Three vacancies remain on the board.

— As of November 30th, fed funds futures pricing implied two expected interest rate hikes in 2018. The FOMC projections predict three rate hikes.

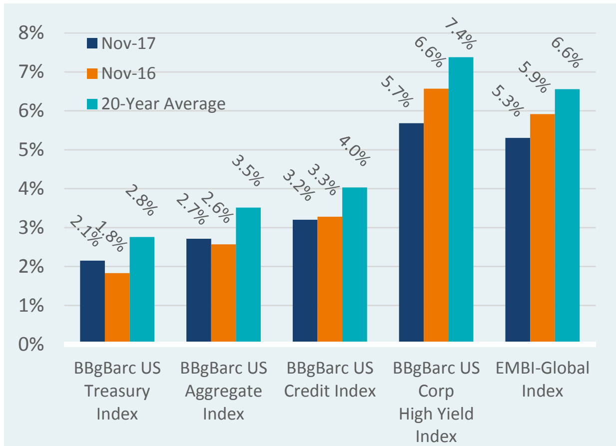
— The Fed proceeded with its balance sheet unwind in November (-$5.6 billion in Treasuries and -$1.1 billion in mortgage-backed securities). The unwind in Treasuries remains on track with the schedule laid out in September (-$6.0 billion per month), while MBS' were unwound slower than expected (-$4.0 billion per month).

U.S. TREASURY YIELD CURVE



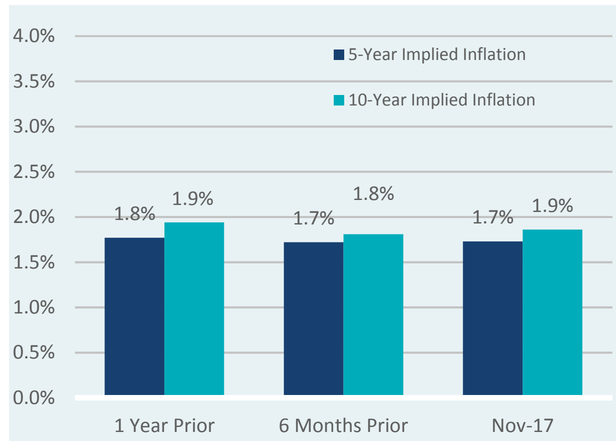
Source: Federal Reserve, as of 11/30/17

NOMINAL FIXED INCOME YIELDS



Source: Morningstar, as of 11/30/17

IMPLIED INFLATION (TIPS BREAKEVEN)

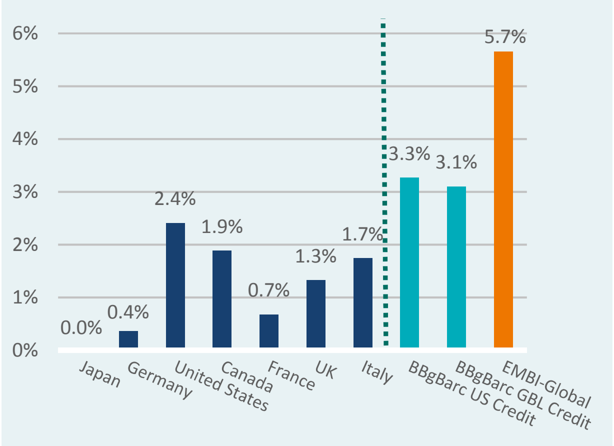


Source: Federal Reserve, as of 11/30/17

Global markets

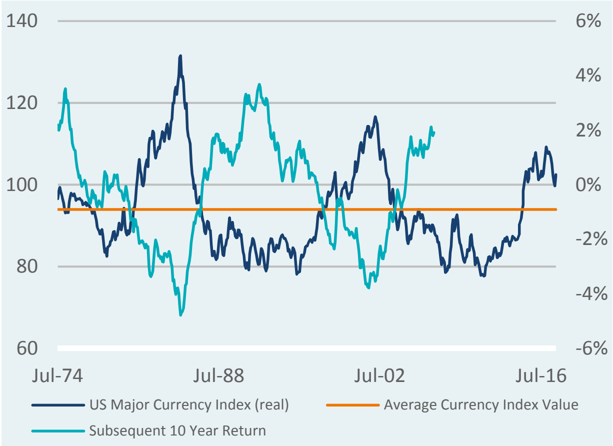
- The U.K. increased its financial offer to pay the European Union an estimated 40 to 45 billion euros over the coming years, allowing Brexit negotiations to advance to a second stage which includes EU citizen rights in the U.K., the Northern Ireland border and general trade agreements.
- Japanese equities (Nikkei 225 index +3.2%) continued their recent outperformance over international equities (MSCI EAFE index +1.0%) on an unhedged basis in November.
- Global sovereign yields were mostly lower during the period, led by the Italian 10-year yield (-8 bps), which fell to 1.7% from 1.8% over the month.
- Emerging market equities (MSCI EM index +0.2% unhedged, -0.9% hedged) underperformed broad international equities in November (MSCI EAFE index +1.0% unhedged, -0.4% hedged). Emerging Markets have outperformed year-to-date through November by +8.1% on a unhedged basis.

GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS



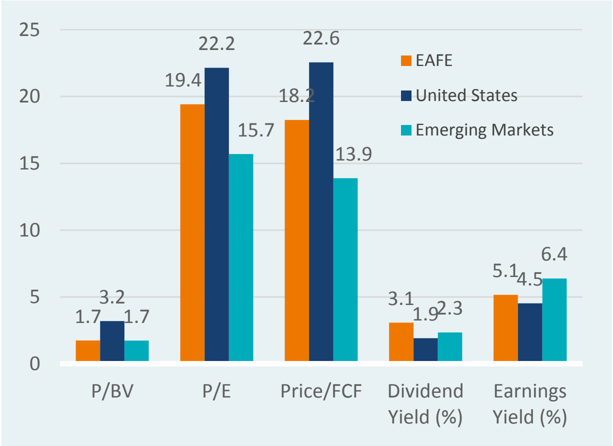
Source: Morningstar, as of 11/30/17

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 11/30/17

MSCI VALUATION METRICS (3 MONTH AVERAGE)



Source: Bloomberg, as of 11/30/17

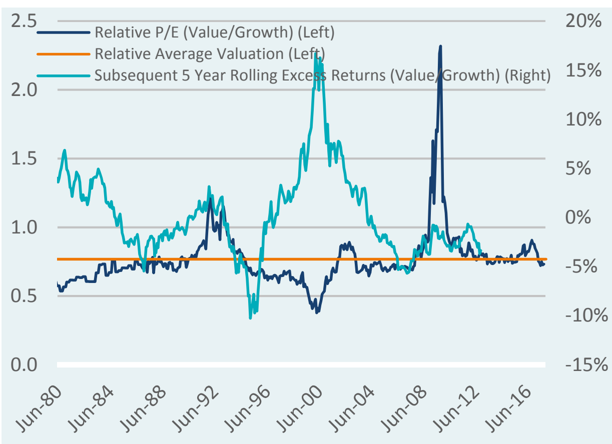
Style tilts: U.S. large value vs. growth

— Value equities narrowly outperformed growth equities in November, as the Russell 1000 Value and Russell 1000 Growth returned 3.1% and 3.0%, respectively.

— The Russell 1000 Growth index was negatively affected by the technology sector in November. The sub-index, the highest returning sector over the prior year (+40.4%), underperformed the majority of sectors in November (+1.2%).

— The relative trailing P/E ratio of value to growth equities remained slightly below the long-term average of 0.77 at 0.73.

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



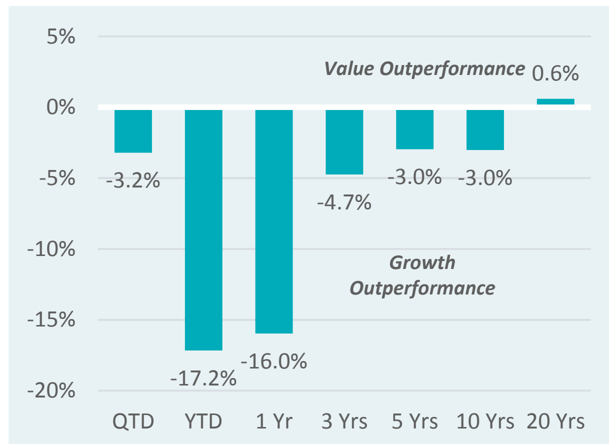
Source: Russell, Bloomberg, as of 11/30/17

U.S. VALUE VS. GROWTH ABSOLUTE PERFORMANCE

	RUSSELL 1000 VALUE ANNUALIZED RETURN TO DATE %	RUSSELL 1000 GROWTH ANNUALIZED RETURN TO DATE %
QTD	3.8	7.0
YTD	12.0	29.2
1 YEAR	14.8	30.8
3 YEARS	8.3	13.1
5 YEARS	14.2	17.1
10 YEARS	6.8	9.9
20 YEARS	7.5	6.9
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.79	1.17
5 YEARS	1.36	1.62
10 YEARS	0.47	0.67
20 YEARS	0.42	0.36

Source: Morningstar, as of 11/30/17

U.S. VALUE VS. GROWTH RELATIVE PERFORMANCE



Source: Morningstar, as of 11/30/17

Style tilts: U.S. large vs. small

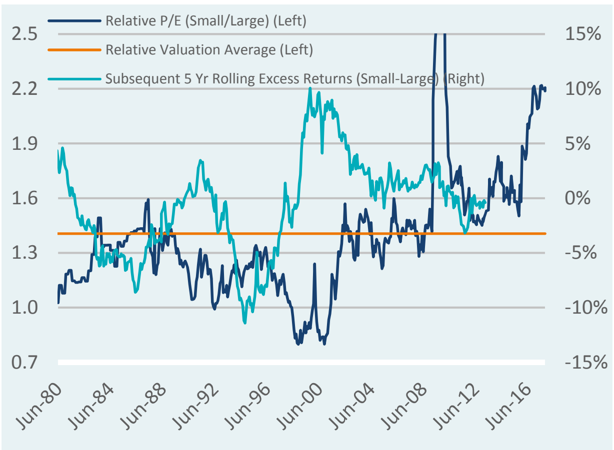
— U.S. large cap and small cap equities both increased in November, as the Russell 1000 index and Russell 2000 index returned 3.0% and 2.9%, respectively.

— The telecommunication sector produced the largest performance differential between large and small cap sectors. Within telecommunications, large cap companies outperformed small caps by 12.5%. Large caps were largely influenced by AT&T (+8.1%) and Verizon (+6.3%) which make up approximately 90% of the Russell 1000 Telecommunication sub-index.

— The relative trailing P/E ratio of small to large cap equities remained elevated at 2.2, well above the long-term average ratio of 1.4.

— Over all the time periods examined below, large cap equities have provided superior risk-adjusted returns (Sharpe Ratio) relative to small cap equities.

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



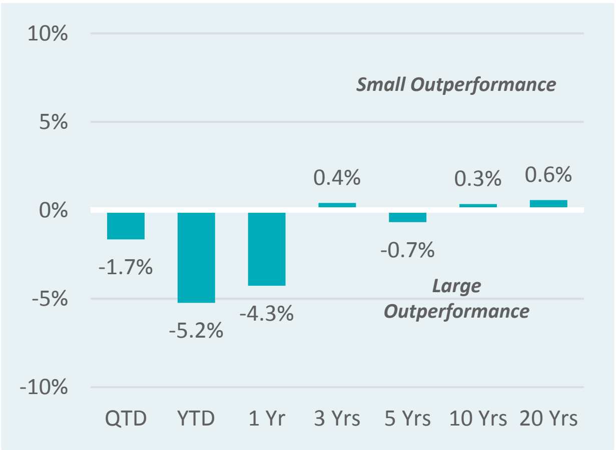
Source: Russell, Bloomberg, as of 11/30/17

U.S. LARGE VS. SMALL ABSOLUTE PERFORMANCE

	RUSSELL 1000 INDEX ANNUALIZED RETURN TO DATE %	RUSSELL 2000 INDEX ANNUALIZED RETURN TO DATE %
QTD	5.4	3.8
YTD	20.3	15.1
1 YEAR	22.6	18.3
3 YEARS	10.7	11.1
5 YEARS	15.7	15.0
10 YEARS	8.4	8.7
20 YEARS	7.4	8.0
	SHARPE RATIO	SHARPE RATIO
3 YEARS	1.02	0.79
5 YEARS	1.55	1.06
10 YEARS	0.58	0.51
20 YEARS	0.42	0.39

Source: Morningstar, as of 11/30/17

U.S. LARGE VS. SMALL RELATIVE PERFORMANCE



Source: Morningstar, as of 11/30/17

Commodities

— The broad Bloomberg Commodity Index decreased in November by -0.5%. Livestock and Industrial Metals were the largest detractors during the month, returning -5.9% and -4.2%, respectively.

— The Bloomberg Industrial Metals index was adversely impacted by Aluminum and Nickel prices, which fell by -5.4% and -9.8%, respectively.

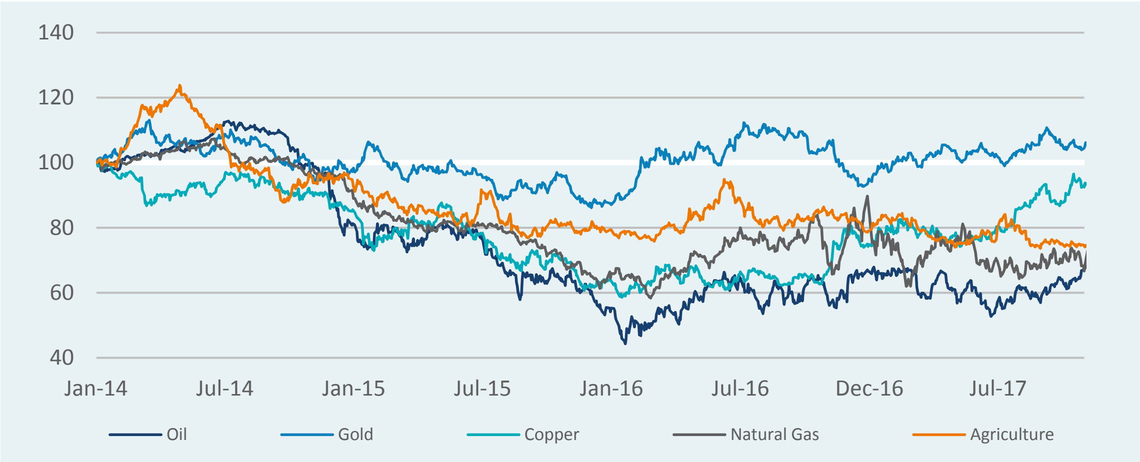
— OPEC and non-OPEC allies reached an agreement to extend current oil production cuts (-1.8 million barrels per day) through the end of 2018. Several countries proposed drafting an early exit strategy at the next meeting in June, in the event of an overheated oil market. WTI Crude Oil ended the month up 5.6%.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(0.5)	1.7	(1.2)	0.5	(8.4)	(9.5)	(6.7)
Bloomberg Agriculture	0.4	(0.5)	(9.7)	(11.7)	(8.6)	(10.4)	(4.0)
Bloomberg Energy	2.3	4.8	(7.9)	0.4	(20.1)	(16.4)	(17.2)
Bloomberg Grains	(0.4)	(2.9)	(9.5)	(10.1)	(11.4)	(13.5)	(6.1)
Bloomberg Industrial Metals	(4.2)	1.4	18.5	12.5	(0.2)	(3.7)	(4.1)
Bloomberg Livestock	(5.9)	4.0	7.1	17.8	(7.9)	(2.4)	(5.9)
Bloomberg Petroleum	3.0	9.6	3.2	11.7	(15.6)	(15.1)	(11.9)
Bloomberg Precious Metals	(0.3)	(1.0)	7.7	5.3	1.7	(8.3)	3.5
Bloomberg Softs	2.5	3.5	(16.1)	(19.2)	(7.6)	(8.6)	(2.7)

Source: Morningstar, as of 11/30/17

COMMODITY PERFORMANCE



Source: Bloomberg, as of 11/30/17

Appendix

Periodic table of returns

BEST

	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	32.5	17.1	9.9
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	29.2	15.8	9.2
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	23.1	15.7	8.7
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	22.0	15.0	8.4
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	20.3	14.2	8.2
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	15.8	14.2	6.8
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	15.1	10.3	6.2
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	12.0	8.2	4.1
Small Cap Value	-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	8.9	6.8	4.0
Hedge Funds of Funds	-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	7.0	4.6	1.5
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	5.1	4.1	1.4
US Bonds	-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	3.1	2.0	1.1
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	0.8	0.2	0.3
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	-1.2	-9.5	-6.7

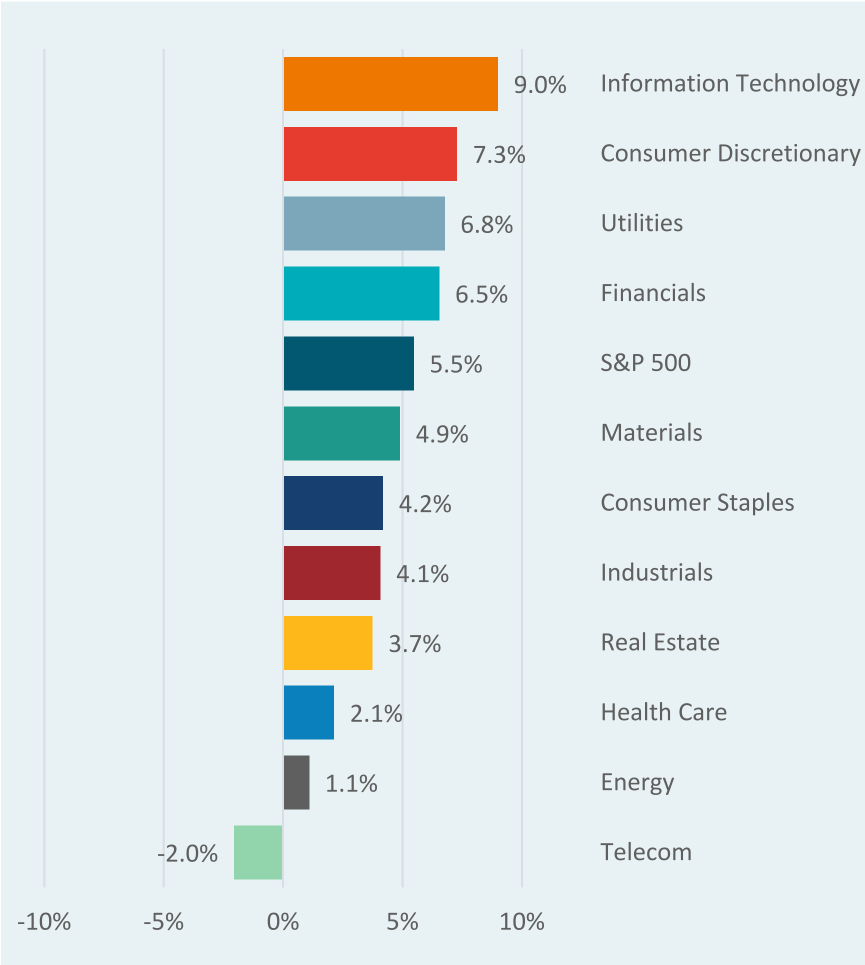
WORST

- 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 9/30/17.

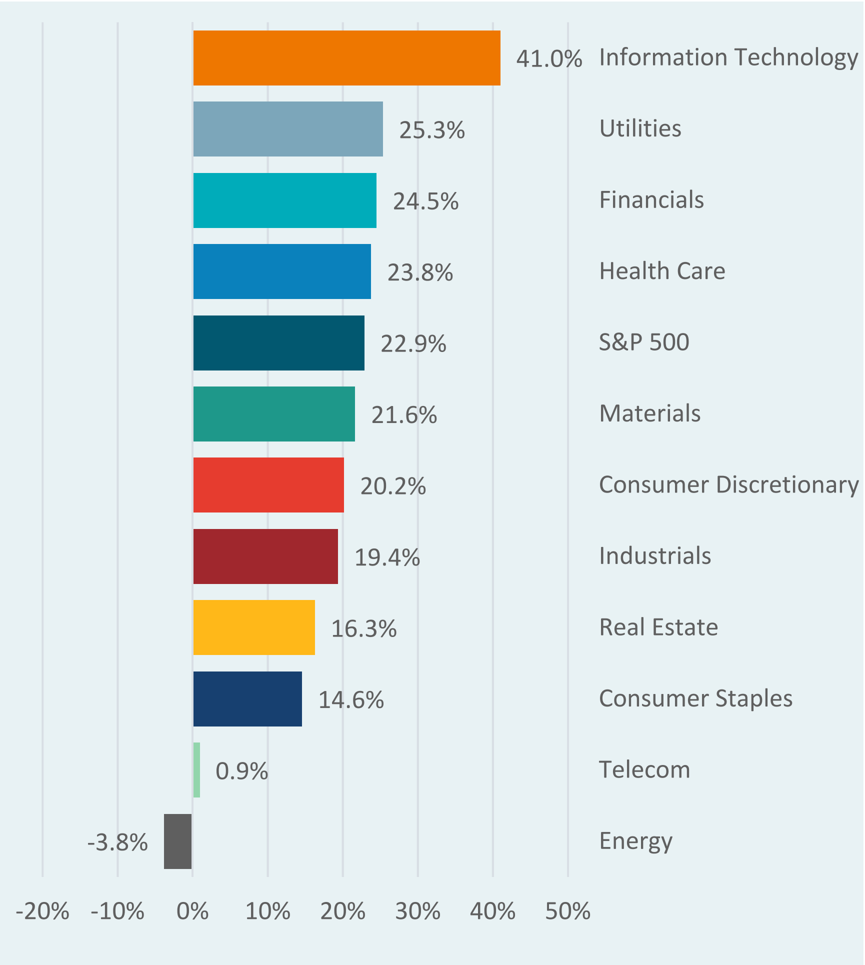
S&P 500 sector returns

QTD



Source: Morningstar, as of 11/30/17

ONE YEAR ENDING NOVEMBER



Source: Morningstar, as of 11/30/17

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	3.1	5.5	20.5	22.9	10.9	15.7	8.3
S&P 500 Equal Weighted	3.8	5.0	17.5	18.8	9.8	16.0	9.9
DJ Industrial Average	4.2	8.9	25.7	30.0	13.7	16.1	9.0
Russell Top 200	2.9	5.5	21.5	24.2	11.3	15.9	8.2
Russell 1000	3.0	5.4	20.3	22.6	10.7	15.7	8.4
Russell 2000	2.9	3.8	15.1	18.3	11.1	15.0	8.7
Russell 3000	3.0	5.3	19.9	22.3	10.8	15.6	8.4
Russell Mid Cap	3.4	5.1	17.4	18.8	9.3	15.3	9.0
Style Index							
Russell 1000 Growth	3.0	7.0	29.2	30.8	13.1	17.1	9.9
Russell 1000 Value	3.1	3.8	12.0	14.8	8.3	14.2	6.8
Russell 2000 Growth	2.9	4.5	22.0	23.7	11.3	15.8	9.2
Russell 2000 Value	2.9	3.0	8.9	13.4	10.9	14.2	8.2

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US Treasury US TIPS	0.1	0.3	2.1	2.0	1.4	(0.2)	3.4
BBgBarc US Treasury Bills	0.1	0.2	0.7	0.8	0.4	0.3	0.5
BBgBarc US Agg Bond	(0.1)	(0.1)	3.1	3.2	2.1	2.0	4.0
Duration							
BBgBarc US Treasury 1-3 Yr	(0.2)	(0.3)	0.4	0.4	0.5	0.6	1.5
BBgBarc US Treasury Long	0.7	0.6	6.7	6.1	3.2	2.7	6.3
BBgBarc US Treasury	(0.1)	(0.3)	2.0	1.9	1.3	1.1	3.3
Issuer							
BBgBarc US MBS	(0.1)	(0.2)	2.1	2.1	1.8	2.0	3.8
BBgBarc US Corp. High Yield	(0.3)	0.2	7.2	9.2	5.7	6.0	8.0
BBgBarc US Agency Interm	(0.2)	(0.3)	1.1	1.1	1.1	1.0	2.6
BBgBarc US Credit	(0.1)	0.2	5.3	6.0	3.4	3.1	5.4

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	1.9	4.1	22.0	24.6	8.0	10.9	4.4
MSCI ACWI ex US	0.8	2.7	24.4	27.6	5.7	7.1	1.5
MSCI EAFE	1.0	2.6	23.1	27.3	6.0	8.2	1.5
MSCI EM	0.2	3.7	32.5	32.8	6.1	4.6	1.4
MSCI EAFE Small Cap	1.6	3.3	29.6	33.3	13.0	13.2	5.1
Style Index							
MSCI EAFE Growth	1.2	3.5	26.7	29.5	7.3	8.9	2.3
MSCI EAFE Value	0.9	1.7	19.6	25.1	4.6	7.5	0.8
Regional Index							
MSCI UK	0.1	0.7	16.5	21.3	1.5	4.6	0.8
MSCI Japan	3.0	7.7	23.1	24.3	10.8	12.2	2.7
MSCI Euro	0.1	0.9	27.1	35.5	5.7	8.9	(0.3)
MSCI EM Asia	0.1	5.4	39.0	37.0	9.3	8.1	3.2
MSCI EM Latin American	(3.0)	(6.5)	18.5	19.5	(0.9)	(2.8)	(2.0)

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(0.5)	1.7	(1.2)	0.5	(8.4)	(9.5)	(6.7)
Wilshire US REIT	2.8	1.8	4.3	9.4	5.9	10.2	6.7
CS Leveraged Loans	0.1	0.8	3.8	5.0	4.0	4.4	4.6
Regional Index							
JPM EMBI Global Div	0.1	0.4	9.5	10.9	6.0	4.6	7.3
JPM GBI-EM Global Div	1.7	(1.2)	12.9	15.0	(0.2)	(1.5)	3.4
Hedge Funds							
HFRI Composite	0.5	1.6	7.6	8.6	3.8	5.0	3.2
HFRI FOF Composite	0.1	1.3	7.0	7.9	2.5	4.1	1.1
Currency (Spot)							
Euro	2.4	0.9	13.0	12.4	(1.5)	(1.7)	(2.1)
Pound	1.9	0.9	9.6	8.3	(4.7)	(3.3)	(4.1)
Yen	1.5	0.6	4.2	1.8	2.0	(5.9)	(0.1)

Source: Morningstar, as of 11/30/17

Definitions

Eurozone Economic Sentiment Indicator *- The Directorate-General Financial and Economic Affairs (DG ECFIN) of the European Commission publishes the Business and Consumer Survey Results every month. The data of the surveys is processed by DG ECFIN's Unit Economic situation, forecasts, business and consumer surveys (A3), Sector Business and consumer surveys and short-term forecast. (http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm)*

IHS Markit/CIPS UK Manufacturing PMI *- The IHS Markit/CIPS UK Manufacturing PMI® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 600 industrial companies. The panel is stratified by Standard Industrial Classification (SIC) group and company workforce size, based on the industry and company size contributions to GDP. IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. (www.ihsmarkit.com)*

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)*

Notices & disclosures

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San Luis Obispo County Pension Trust
SLOCPT

Date: January 22, 2018

To: Board of Trustees

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

Agenda Item 11: 2017 Actuarial Audit – Preliminary Report –
Mary Beth Redding, FSA, FCA, EA, MAAA – Vice President – Bartel Associates

Recommendation:

It is recommended that the Board discuss the 2017 Actuarial Audit with Ms. Redding and then receive & file this report.

Discussion:

During 2017 the Board of Trustees retained Bartel Associates to perform an actuarial audit of the Pension Trust's 2017 Actuarial Valuation and the 2016 Actuarial Experience Study. The Pension Trust's actuary is Gabriel Roeder Smith (GRS) and it is the practice of the Pension Trust to have an actuarial audit performed every five years by an independent actuarial firm.

Bartel Associates has completed the majority of their actuarial audit work and Mary Beth Redding will be presenting the preliminary results. Bartel has found no material differences with GRS's actuarial work and finds that the 2017 Actuarial Valuation has been reasonably calculated in accordance with the Plan provisions. Ms. Redding will also discuss the reasonableness of various actuarial assumptions used in the Valuation.

The detailed report on the Actuarial Audit will be delivered by Bartel Associate to staff in mid-February. As is normal in such audits, there will be a number of audit findings that fall below the level of materiality to the overall Valuation results. Such findings may involve technical details of how actuarial valuations are performed and serve to inform and improve the actuarial practices of the actuary being audited. Various considerations related to the actuarial assumptions being used may also be part of the discussion points in the final details report on the Actuarial Audit.

Following discussion and staff review, the draft will be discussed with GRS to clarify any findings and correct any misunderstandings of the data. Upon finalization of the detailed actuarial audit report the it will be presented to the Board of Trustees in March.

Respectfully submitted,

January 12, 2018

Board of Trustees
San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, CA 93408

Re: Preliminary Results of Actuarial Audit of the January 1, 2017 Actuarial Valuation

Dear Members of the Board:

Bartel Associates is pleased to provide preliminary results of the actuarial audit of the San Luis Obispo County Pension Trust (SLOCPT) January 1, 2017 Actuarial Valuation and the Actuarial Experience Study for the five-year period ending December 31, 2015, performed by Gabriel Roeder Smith & Company (GRS).

The purpose of this audit was a full replication of the actuarial valuation and experience study, commenting on the reasonableness and appropriateness of the actuarial methods and assumptions, methodology and conclusions of the studies. The intention is to provide assurance to the Board that the studies are reasonable and conform to actuarial standards of practice and that the resulting contribution rates are reasonable and appropriate.

We performed the following procedures:

1. Compared the participant census data provided by SLOCPT to the census data used in the valuation. We found that the census data was a very close match and that valuation data is reasonable and reliable for valuation purposes.

2. Replicated the January 1, 2017 actuarial valuation. The total actuarial accrued liability we calculated was within 3% of the amounts calculated by GRS. This indicates that the valuation methods and assumptions have been accurately applied in the valuation, and that the liabilities have been reasonably calculated in accordance with the plan provisions.

3. Replicated calculation of the actuarial value of assets and the recommended employer contribution rates based on the provided asset values. Based on GRS's valuation liabilities we replicated the contribution rates exactly.

4. Reviewed the actuarial methods used. We believe they conform to actuarial standards of practice and are reasonable and appropriate.

5. Replicated the actuarial experience study for demographic experience . Our replication was reasonably close to GRS's results published in the experience study. We believe the recommended actuarial assumptions are reasonable and appropriate.

6. Reviewed the recommended inflation rate and investment return assumptions in the experience study. We find the assumed inflation rate to be reasonable. Our independent modeling of the long term expected rate of return on plan assets, using our capital market assumptions at the time of the experience study, produced a rate reasonably close to the recommended rate. Therefore we believe the discount rate is reasonable and appropriate for use in the 2017 actuarial valuation. However, investment advisors have generally decreased their expected rate of return assumptions recently. If we were evaluating the discount rate today, we would likely recommend a lower rate.

Overall, we found the actuarial valuation and its underlying actuarial methods and assumptions to be reasonable and in conformance with actuarial standards of practice, and we found the resulting recommended employer contribution rates to be reasonable and appropriate.

This letter is meant to provide a broad summary of the results of the audit. A full audit report will follow with detailed comments on specific calculations, methodologies, and recommendations.

We would like to acknowledge the assistance of SLOCPT staff and GRS. Both provided timely, helpful, and thorough responses to our questions and provided the supporting information we requested.

Sincerely,

Mary Elizabeth Redding

Mary Elizabeth Redding, FSA, FCA, EA, MAAA
Vice President

c: Carl Nelson, SLOCPT
Amy Burke, SLOCPT
Cathy Wandro, Bartel Associates, LLC
Tak Frazita, Bartel Associates, LLC

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Board of Trustees

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San Luis Obispo County Pension Trust
SLOCPT

Date: January 22, 2018

To: Board of Trustees

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

Agenda Item 12: Cash Flow Analysis for 2018

Recommendation:

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

Discussion:

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

This report is an information item only and is ministerial in nature. Please note that the County and APCD employer paid contributions are currently prepaid through June 30, 2018. This causes a timing issue as funds are received in one discounted lump sum payment in July of each year for contributions due in fiscal years ending June 30. The following projection does not consider the impacts of this prefunding and the associated discount.

SLOCPT
Annual Cashflow projections
Pursuant to Article IX (Investment Administration) of the Investment Policy

Expected Cash Inflows:	2018	
Contributions	80,200,000	
Real Estate Income Transferred	6,000,000	
Net Investment Drawdowns	**14,500,000** *	
Total Inflows (a)		$ 100,700,000
Expected Cash Outflows:		
Benefit Payments	$ (91,600,000)	
+ est. COLA for 2018	(1,200,000)	
Termination Refunds	(2,500,000)	
Death Benefits	(500,000)	
Administrative Expenses	(2,900,000)	
Total Outflows (b)		$ (98,700,000)
Net Cashflow (a + b)		**$ 2,000,000**
Current Cash Holdings **		20,200,000
Total Cash Available (at year end)		$ 22,200,000

* Net investment drawdowns will be accomplished as part of routine asset mix rebalancing between portfolios during the year.

** Cash held in the County Treasury account and operating accounts at Pacific Premier Bank.

Board of Trustees

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San Luis Obispo County Pension Trust
SLOCPT

Date: January 22, 2018

To: Board of Trustees

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

Agenda Item 13: Investment Report for December 2018

	December	**Year to Date 2017**	2016	2015	2014	2013
Total Trust Investments ($ 000s)	$1,351,094		$1,196,775 year end	$1,148,315 year end	$1,190,316 year end	$1,131,022 year end
Total Fund Return	1.2% Gross	**15.5**% Gross	6.6 % Gross	-0.8 % Gross	5.1 % Gross	13.8% Gross
Policy Index Return (r)	1.1%	13.1%	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.

This is a preliminary estimate of calendar year 2017 returns due to the lag in market value reporting of illiquid investments such as real estate, private equity and private credit. The full quarterly report from Verus for 4Q17 will include a more precise measure of the 2017 investment returns.

The Economy and Capital Markets:

Some significant factors in the economy for December and into mid-January have been –

- **Fed Policy –** After the Fed increased its target range for Fed Funds to the 1.25% - 1.50% range in December, the Fed predicts three more rate hikes in 2018 while the bond markets imply two 2018 rate increases. Expectations are that the necessary normalization of monetary policy – including the unwinding of the Fed balance sheet bloated from quantitative easing – will continue on a gradualist mode for 2018. The withdrawal of liquidity from the monetary system is normally associated with negative effects on GDP growth and capital markets. Economists' consensus for the global monetary system are for a gradual enough normalization of policy that impacts in 2018 are minimal and risks lie in 2019 and beyond. The long term implications of this relative to interest rates and bonds is that at some point debt will reprice to higher interest rates with the accompanying price declines.

- **Tax Policy –** Expectations for improved corporate profit growth fueled by tax cuts suggest a modest increase in 2018 earnings growth in addition to the already positive trend in corporate earnings. This extra "tailwind" to earnings growth eases, but does not erase, concerns over the relatively high level of domestic equity market valuations. Concerns remain that growth in the Federal deficit from tax reductions will exacerbate the level of debt/GDP in the next recession limiting fiscal policy flexibility.

- **GDP Growth, Corporate Earnings and Equity Valuations –** With the synchronized global growth across most economies, market optimism on GDP growth remains high.

    - **Global -** JP Morgan estimates for global growth in 2018 are in the area of 3.5%. This level is consistent with the long-term ability of the global economy to grow given that growth ultimately depends on population growth and productivity growth which is slowing. Much of global growth rate is attributable to China. Concerns over the last two years over slowing Chinese growth have moderated with firming in the Chinese growth rate and pointing towards a turn to higher growth even with rising Chinese debt levels. Emerging markets in general are expected to be on a resurgent growth cycle.

    - **U.S. domestic GDP growth –** While the U.S> domestic GDP growth rate for 2017 is not yet available, it is likely to be in the low 3% range. The Fed's forecast for 2018 real GDP growth was increased to 2.5%. In the long run domestic growth is likely to remain in the 2% to 3% range given the natural limits of population growth and productivity growth.

- **Employment and Wages –** The U.S. unemployment rate remains at a 17 year low of 4.1%. An ongoing implication of the low unemployment rate is that it is near the loosely defined non-accelerating rate of inflation unemployment rate – or full employment. In other words, the unemployment rate at which labor shortages drive wage-push inflation increases is in this area. Numerous factors such as productivity improvements, corporate profits, and consumer confidence make the link between low unemployment and wage-induced inflation an imprecise one. The implications of an uptick in inflation put upward pressure on Fed monetary policy and interest rates – albeit with inflation still below Fed targets this is a farther out concern.

The cover page for the JP Morgan "Eye on the Market" publication of January 18, 2018 is excerpted on a following page and provides a graphically entertaining, but accurate and succinct take on central bank issues, payroll growth and the economic environment for 2018.

SLOCPT Investment Returns:

The attached report from Verus covers the investment returns of the SLOCPT portfolio and general market conditions through the end of December. This is a preliminary estimate of calendar year 2017 returns and may be adjusted in the full quarterly report from Verus for 4Q17 to be received in February.

The strong capital market returns for 2018 have been aided by generally above-benchmark returns from SLOCPT's investment managers.

Respectfully submitted

Eye on the Market Outlook 2018

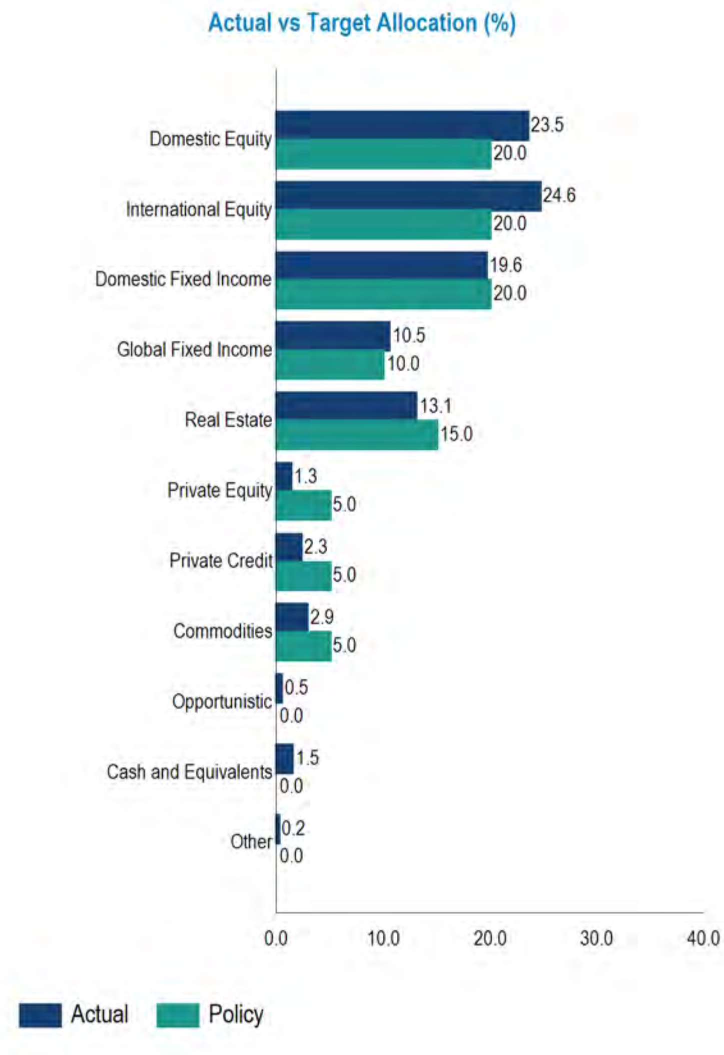
J.P. MORGAN ASSET MANAGEMENT

The Decline of Western Centralization. There's a global recovery under way that is broadening across regions. However, unlike prior recoveries, this one is closely tied to trillions in central bank intervention and negative real policy rates. Wage inflation pressures are gradually intensifying and will eventually force Western central banks to take the punch bowl away. 2018 looks like the last year in the cycle with rising growth, rising corporate profits and relatively accommodative central banks, before things get more complicated in 2019-2020. While corporate profits are growing, high valuations will constrain the upside in developed equity markets to high single digits this year. See inside cover for more details.

J.P.Morgan
Asset Management

Agenda Item 13

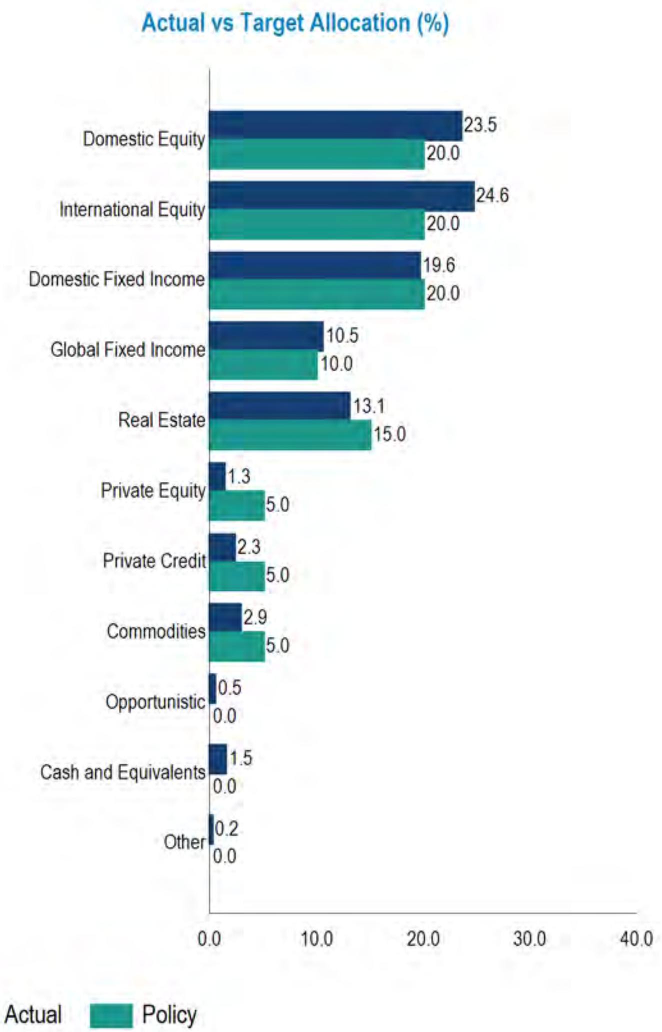
	Market Value	% of Portfolio	1 Mo	QTD	YTD
Total Fund	**1,351,093,570**	**100.0**	**1.2**	**3.2**	**15.5**
Total Fund ex Overlay	1,348,263,839	99.8	1.2	3.2	15.4
Policy Index			*1.1*	*3.1*	*13.1*
Total Domestic Equity	**317,439,236**	**23.5**	**1.1**	**7.4**	**25.1**
Russell 3000			*1.0*	*6.3*	*21.1*
SSGA S&P 500 Flag.	12,484,961	0.9	1.1	6.7	21.9
S&P 500			*1.1*	*6.6*	*21.8*
PIMCO RAE Fundamental PLUS Instl	59,414,678	4.4	2.1	7.4	17.0
S&P 500			*1.1*	*6.6*	*21.8*
Loomis Sayles Large Cap Growth	96,816,677	7.2	0.1	6.5	34.1
Russell 1000 Growth			*0.8*	*7.9*	*30.2*
Boston Partners Large Cap Value	86,347,222	6.4	2.0	7.0	--
Russell 1000 Value			*1.5*	*5.3*	--
Atlanta Capital Mgmt	62,375,698	4.6	0.4	9.5	26.6
Russell 2500			*0.3*	*5.2*	*16.8*
Total International Equity	**332,949,417**	**24.6**	**1.9**	**3.3**	**26.6**
MSCI ACWI ex USA Gross			*2.3*	*5.1*	*27.8*
Dodge & Cox Intl Stock	171,958,176	12.7	2.1	1.4	24.7
MSCI EAFE Gross			*1.6*	*4.3*	*25.6*
WCM International Growth	160,991,241	11.9	1.7	5.5	--
MSCI ACWI ex USA Gross			*2.3*	*5.1*	--
Total Domestic Fixed Income	**264,752,519**	**19.6**	**0.5**	**0.8**	**4.3**
BBgBarc US Aggregate TR			*0.5*	*0.4*	*3.5*
BlackRock Core Bond	95,690,196	7.1	0.5	0.5	--
BBgBarc US Aggregate TR			*0.5*	*0.4*	--
Dodge & Cox Income Fund	100,300,932	7.4	0.4	0.6	--
BBgBarc US Aggregate TR			*0.5*	*0.4*	--
Pacific Asset Corporate Loan	68,761,046	5.1	0.4	1.4	4.9
S&P/LSTA Leveraged Loan Index			*0.4*	*1.1*	*4.1*
SSGA TIPS	345	0.0	0.4	0.7	2.5
BBgBarc US TIPS TR			*0.9*	*1.3*	*3.0*



**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 9/30/2017 +/- calls and distributions. 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. SSGA TIPS liquidated on 12/7/2017. Fidelity Real Estate Growth III liquidated on 12/29/2017. All data is preliminary.

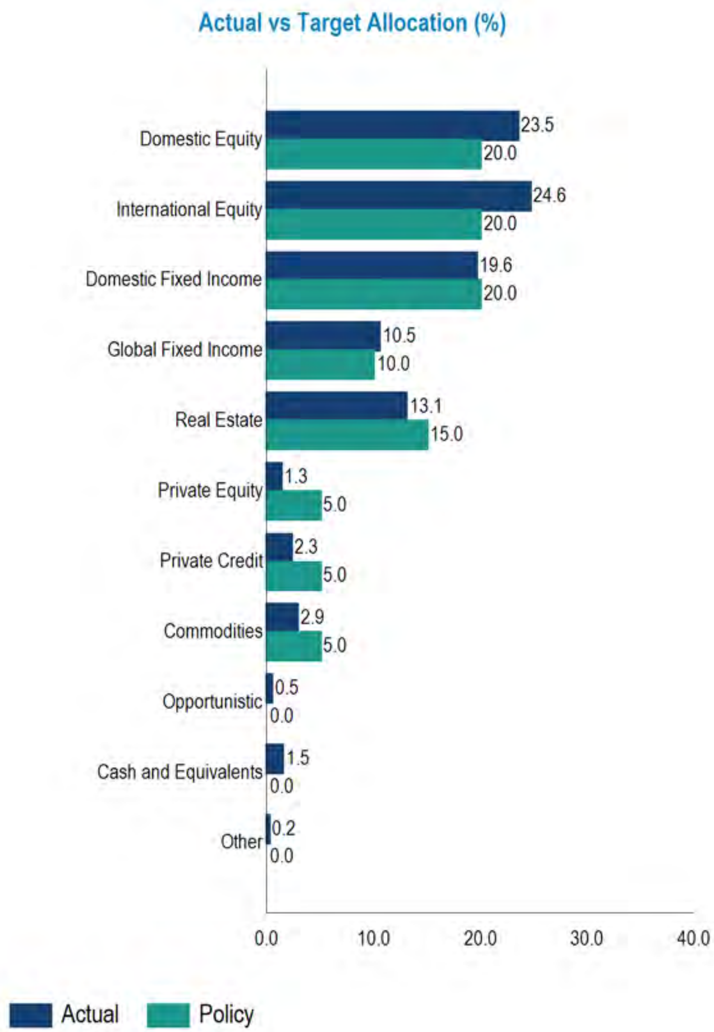
	Market Value	% of Portfolio	1 Mo	QTD	YTD
Total Global Fixed	**142,353,544**	**10.5**	**1.5**	**0.1**	**14.4**
Citi World Govt Bond Index			*0.2*	*1.0*	*7.5*
Brandywine Global Fixed Income	71,619,914	5.3	0.8	-0.3	12.5
Citi WGBI ex US			*0.1*	*1.6*	*10.3*
Stone Harbor Local Markets Ins	70,733,630	5.2	2.1	0.5	16.4
JPM GBI-EM Global Diversified TR USD			*2.0*	*0.8*	*15.2*
Total Real Estate	**176,449,539**	**13.1**	**0.9**	**2.0**	**7.9**
NCREIF Property Index			*0.0*	*0.0*	*5.1*
JP Morgan Core Real Estate	151,102,074	11.2	1.0	1.6	6.2
NCREIF-ODCE			*0.0*	*0.0*	*5.4*
NCREIF Property Index			*0.0*	*0.0*	*5.1*
ARA American Strategic Value Realty	11,657,191	0.9	0.0	2.1	7.4
NCREIF-ODCE			*0.0*	*0.0*	*5.4*
NCREIF Property Index			*0.0*	*0.0*	*5.1*
Direct Real Estate	13,690,274	1.0	0.0	5.4	20.6
NCREIF-ODCE			*0.0*	*0.0*	*5.4*
NCREIF Property Index			*0.0*	*0.0*	*5.1*
Fidelity Real Estate Growth III	0	0.0	15.7	28.7	-13.3
NCREIF-ODCE			*0.0*	*0.0*	*5.4*
NCREIF Property Index			*0.0*	*0.0*	*5.1*
Total Commodities	**38,772,152**	**2.9**	**3.6**	**6.6**	**6.2**
Bloomberg Commodity Index TR USD			*3.0*	*4.7*	*1.7*
Gresham MTAP Commodity Builder	38,772,152	2.9	3.6	6.6	6.2
Bloomberg Commodity Index TR USD			*3.0*	*4.7*	*1.7*
Total Private Equity	**17,871,882**	**1.3**			
Harbourvest Partners IX Buyout Fund L.P.	12,464,670	0.9			
Pathway Private Equity Fund Investors 9 L.P.	5,407,212	0.4			
Total Private Credit	**30,978,587**	**2.3**			
TPG Diversified Credit Program	30,978,587	2.3			



**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 9/30/2017 +/- calls and distributions. 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. SSGA TIPS liquidated on 12/7/2017. Fidelity Real Estate Growth III liquidated on 12/29/2017. All data is preliminary.

	Market Value	% of Portfolio	1 Mo	QTD	YTD
Total Cash	**20,219,515**	**1.5**	**0.0**	**0.4**	**1.0**
91 Day T-Bills			*0.1*	*0.3*	*0.9*
Cash Account	20,219,515	1.5	0.0	0.4	1.0
91 Day T-Bills			*0.1*	*0.3*	*0.9*
Total Opportunistic	**6,477,449**	**0.5**			
Kohlberg Kravis Roberts & Co. Mezzanine Partners I	5,228,751	0.4			
PIMCO Distressed Credit Fund	1,248,698	0.1			
CPI + 5%					



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Verus

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

DECEMBER 2017

Capital Markets Update

Agenda Item 13

Market commentary

ECONOMIC CLIMATE

— On December 13th, the Federal Reserve raised its benchmark interest rate by 25 bps to a target range of 1.25%-1.50%. The Fed also raised its 2018 real GDP growth forecast from 2.1% to 2.5%.

— President Trump signed the Tax Cuts & Jobs Act on December 22nd. Analysts are expecting earnings for large corporations to increase by roughly 2% in the U.S. as a result of the bill.

— U.S. Consumer Confidence fell from a 17-year high of 128.6 in November to 122.1 in December, according to the Conference Board. However, consumer expectations remain at historically strong levels.

— ISM Manufacturing PMI rose to 59.7 during the month, up from 58.2 in November, and above the consensus estimate of 58.1. New orders and raw materials prices were the main drivers of the gain.

— The NFIB Small Business Index fell from a record high of 107.5 in November to 104.9 in December. However, the index remains elevated compared to recent history. A net 37% of small businesses are expecting the economy to improve from current conditions.

DOMESTIC EQUITIES

— Domestic equities experienced positive returns during the month, as the S&P 500 index rose 1.1%.

— According to FactSet, as of January 5th, the estimated Q4 earnings growth rate of the S&P 500 is 10.5% YoY, with revenue growth of 6.7%. Energy and materials companies are expected to lead all other sectors with earnings increases of 132.7% and 28.1%, respectively.

DOMESTIC FIXED INCOME

— Domestic fixed income returns were positive in December as the Bloomberg Barclays U.S. Aggregate Index returned 0.5%.

— U.S. investment grade spreads contracted during the period to 0.93%, down from 0.97% at the end of November.

— The U.S. Treasury yield curve continued to flatten over the month, as the 10-year minus 2-year spread contracted 13 bps to 0.51%, the lowest differential since October 2007.

INTERNATIONAL MARKETS

— International equities (MSCI ACWI ex U.S. +2.2%) outperformed domestic equities in December (S&P 500 +1.1%). The hedged MSCI ACWI ex U.S. Index returned +1.6% in the month.

— Headline inflation in the Eurozone fell to 1.4% YoY during the month, down from 1.5% in November. Non-energy industrial goods were the primary detractor, increasing just 0.5% YoY.

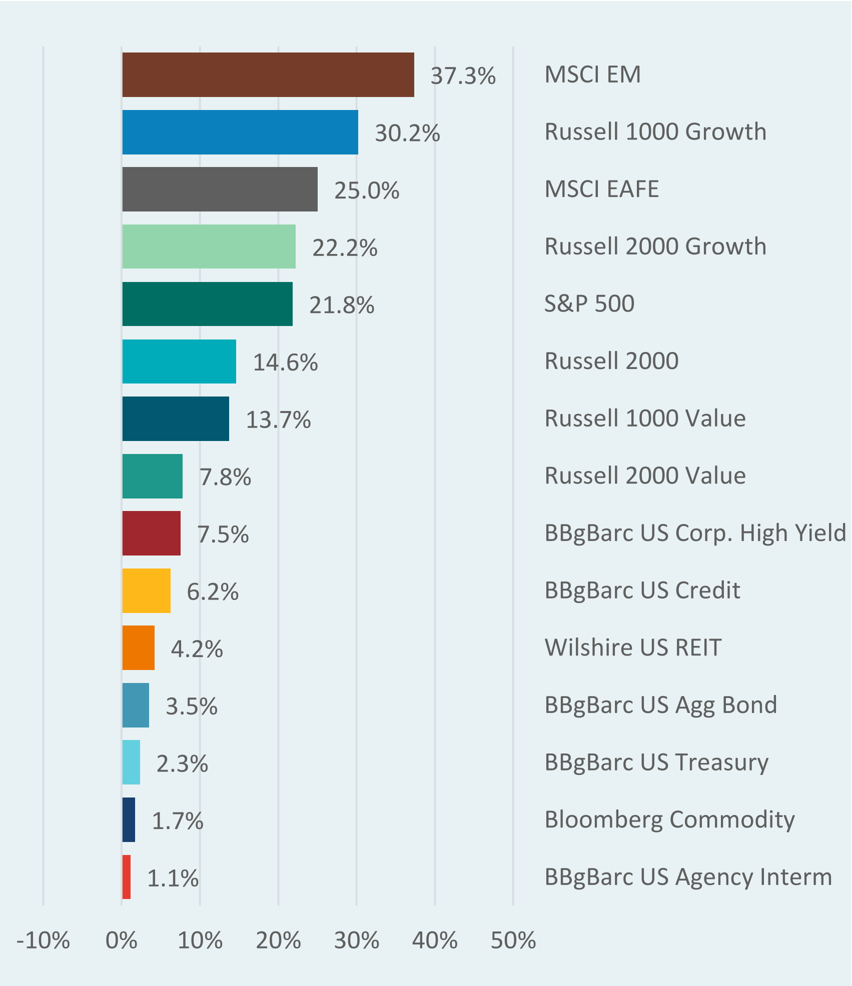
— The Eurozone labor market continued to tighten in November, as the Euro Area unemployment rate fell to 8.7%, down from 8.8% in October, and 9.8% from a year prior.

— The Bank of Japan announced it will trim purchases of longer maturity bonds by 20 billion yen going forward. Purchases of 10 to 25-year bonds, and 25 to 40-year bonds will be cut by 10 billion yen each, to 190 billion and 80 billion yen per month, respectively.

— The Canadian economy added 78,600 jobs in December, bringing the 2017 total to an increase of 422,500 jobs. The unemployment rate also fell to 5.7%, the lowest rate since 1976.

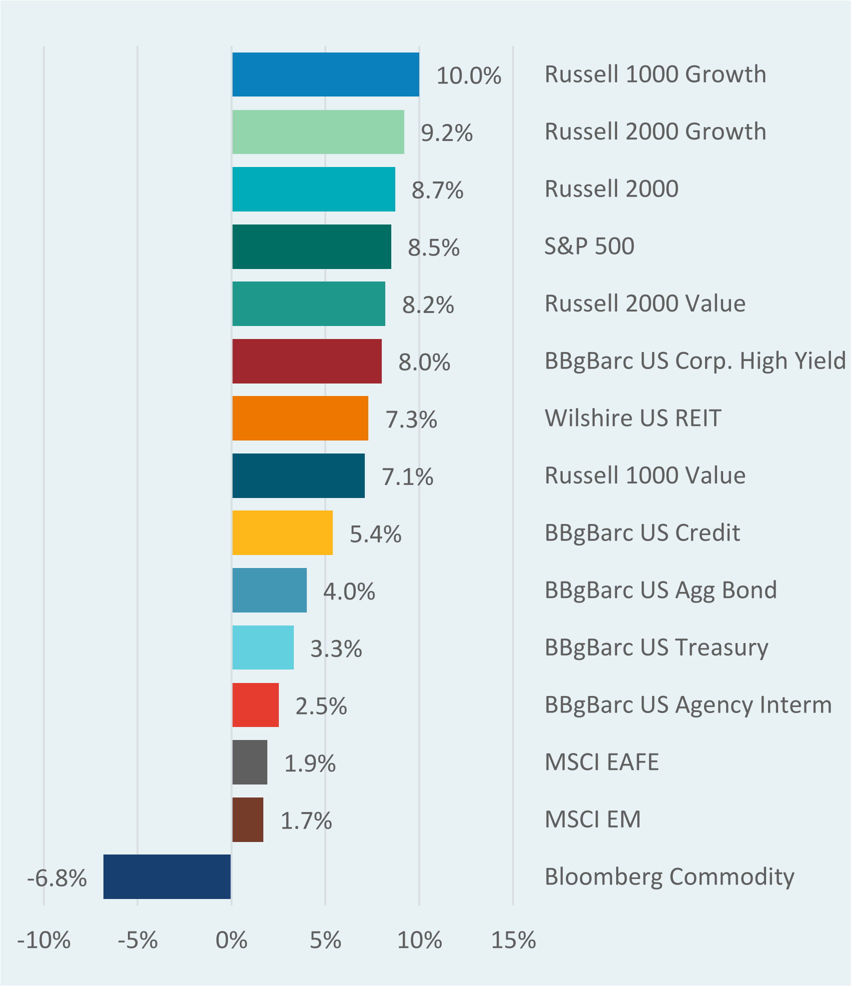
Major asset class returns

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/17

TEN YEARS ENDING DECEMBER



Source: Morningstar, as of 12/31/17

U.S. large cap equities

— Domestic large cap equities appreciated in December (S&P 500 +1.1%). Realized volatility remained suppressed at 5.6% (annualized), well below the 5-year average of 11.8%.

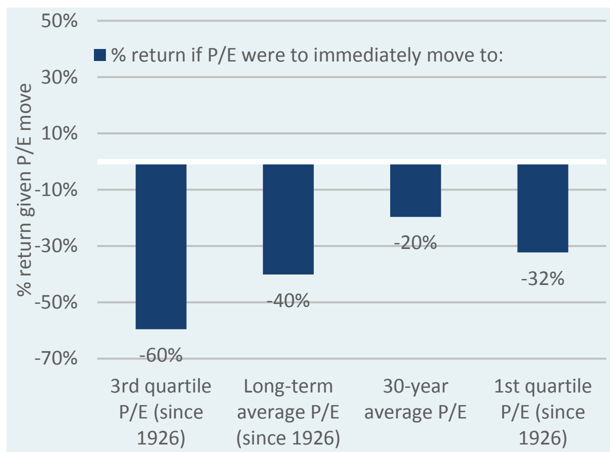
— Telecommunication and energy were the two leading S&P 500 sectors during the period, returning 5.8% and 4.9%, respectively. The worst performing sector was utilities, which fell by -6.1% in December.

— According to FactSet, as of January 5th, the estimated 2018 full year earnings growth rate of the S&P 500 is 13.1% YoY. This figure was revised upward from the December 1st estimate of 11.1% after the tax cuts were passed. The result of this revision is a much lower blended 12-month forward P/E ratio for the S&P 500 compared to the trailing 12-month P/E ratio.

U.S. LARGE CAP EQUITIES

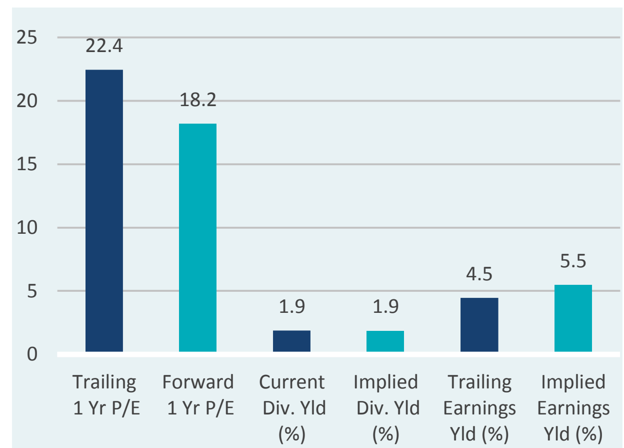
Source: Bloomberg, as of 12/31/17

RETURNS IF TRAILING P/E MOVED TO HISTORIC AVERAGE



Source: Yale/Shiller, Verus, as of 12/31/17

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 12/31/17

Fixed income

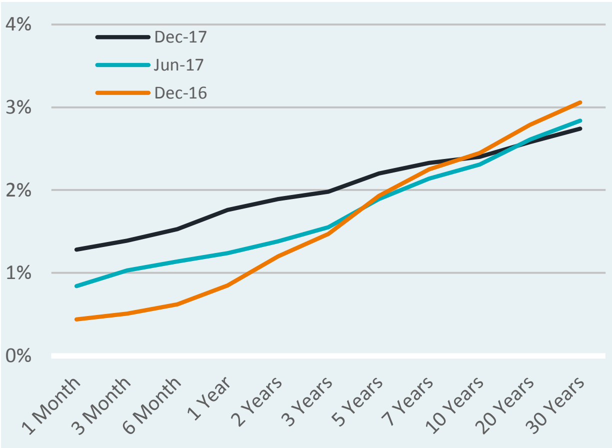
— The U.S. Treasury curve continued to flatten during the period as the 10 minus 2-year yield spread fell 13 bps to 0.51%. The BBgBarc U.S. Treasury Long Index outperformed the BBgBarc 1-3 Year U.S. Treasury Index by 1.7% in December, and 8.1% in 2017.

— As expected, the Fed raised interest rates in December to a target range of 1.25%-1.50%. The Fed has also communicated plans for three rate hikes in 2018, although the market is only pricing in two hikes based on fed funds futures pricing.

— Expectations for future inflation increased during the month based on TIPS breakeven rates. The 5 and 10-year implied inflation rates increased to 1.9% and 2.0%, up from 1.7% and 1.9%, respectively, in November.

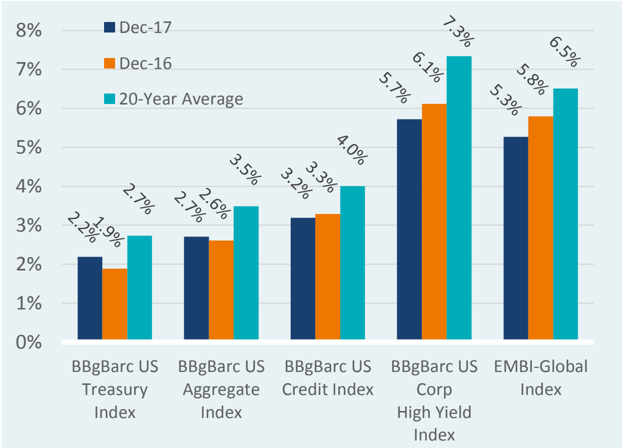
— High yield spreads remained compressed near historically low levels in December. Default rates were also mostly unchanged, and remained low, during the month.

U.S. TREASURY YIELD CURVE



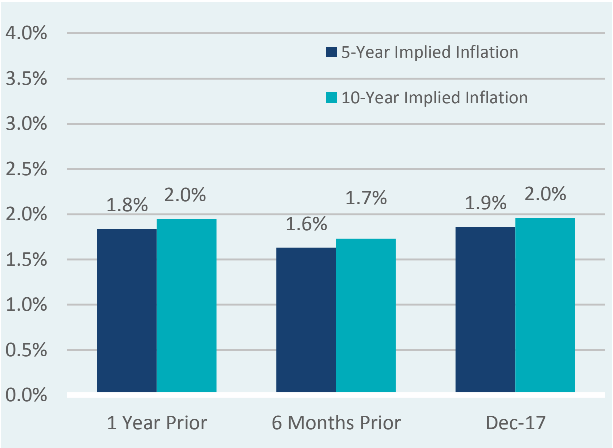
Source: Federal Reserve, as of 12/31/17

NOMINAL FIXED INCOME YIELDS



Source: Morningstar, as of 12/31/17

IMPLIED INFLATION (TIPS BREAKEVEN)



Source: Federal Reserve, as of 12/31/17

Global markets

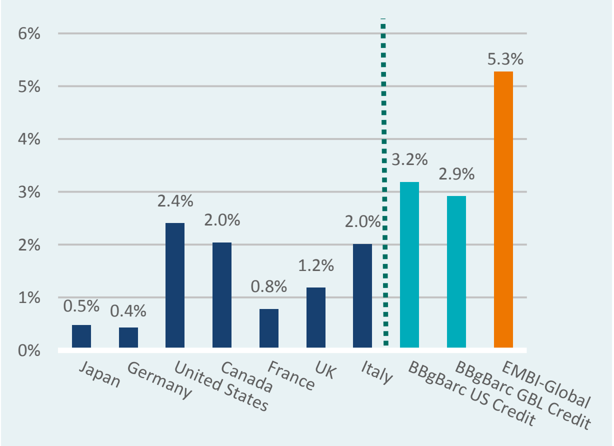
— Emerging market currencies rallied during the month of December as the J.P. Morgan Emerging Markets Currency Index returned 1.7%. The U.S. Dollar Index Spot price (DXY) fell -1.0% during the same period.

— Positive Q4 earnings revisions outnumber negative revisions by the most on record, dating back to 2000, according to Citi's Global Earnings Revision Index.

— Sovereign yields rose across most of the developed world in December. Italian and Canadian bonds led the way, with 10-year yields climbing 27 bps and 16 bps, respectively.

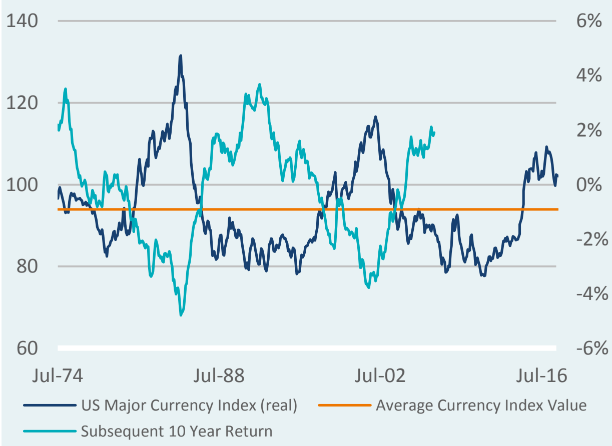
— U.K. equities (MSCI U.K. +5.0%) outperformed broad international equities during the month (MSCI ACWI Ex U.S. +2.2%) on an unhedged basis. The pound (-0.1%) was a slight detractor from performance.

GLOBAL SOVEREIGN 10 YEAR INDEX YIELDS



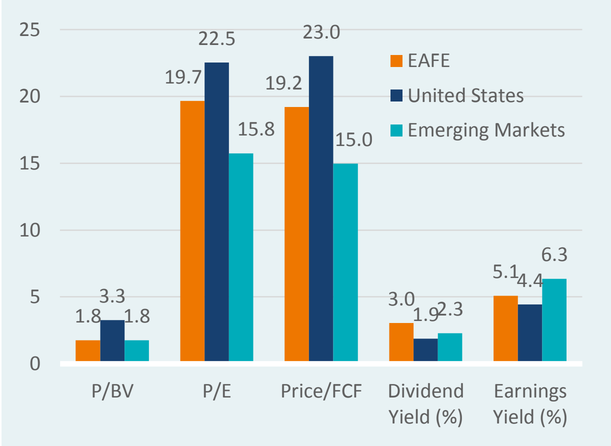
Source: Morningstar, as of 12/31/17

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 12/31/17

MSCI VALUATION METRICS (3 MONTH AVERAGE)



Source: Bloomberg, as of 12/31/17

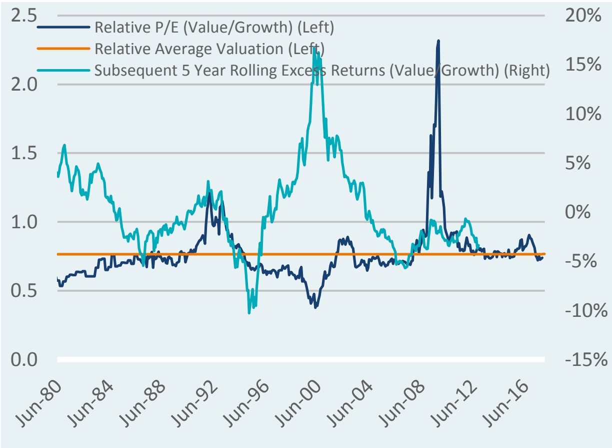
Style tilts: U.S. large value vs. growth

— Value equities outperformed growth equities in December, as the Russell 1000 Value and Russell 1000 Growth returned 1.5% and 0.8%, respectively.

— The Russell 1000 Value index was positively affected by the energy sector in December. The sub-index returned 5.1% during the month, while the Russell 1000 Growth Index was hindered by the technology sector (-0.1%).

— The relative trailing P/E ratio of value to growth equities increased slightly to 0.74, which remains just below the long-term average ratio of 0.77, meaning that value is slightly cheap relative to history.

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



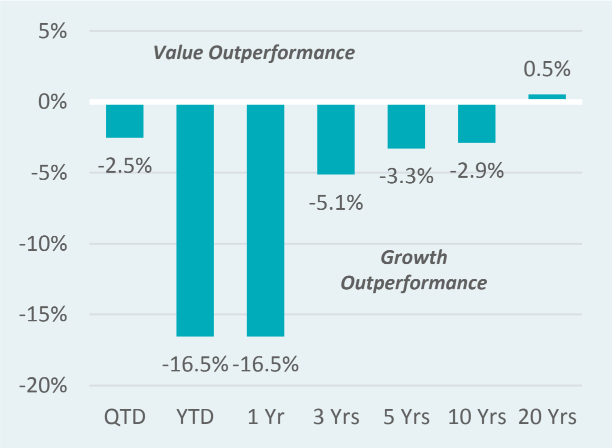
Source: Russell, Bloomberg, as of 12/31/17

U.S. VALUE VS. GROWTH ABSOLUTE PERFORMANCE

	RUSSELL 1000 VALUE ANNUALIZED RETURN TO DATE %	RUSSELL 1000 GROWTH ANNUALIZED RETURN TO DATE %
QTD	5.3	7.9
YTD	13.7	30.2
1 YEAR	13.7	30.2
3 YEARS	8.7	13.8
5 YEARS	14.0	17.3
10 YEARS	7.1	10.0
20 YEARS	7.4	6.9
	SHARPE RATIO	SHARPE RATIO
3 YEARS	0.81	1.23
5 YEARS	1.35	1.63
10 YEARS	0.49	0.68
20 YEARS	0.42	0.36

Source: Morningstar, as of 12/31/17

U.S. VALUE VS. GROWTH RELATIVE PERFORMANCE



Source: Morningstar, as of 12/31/17

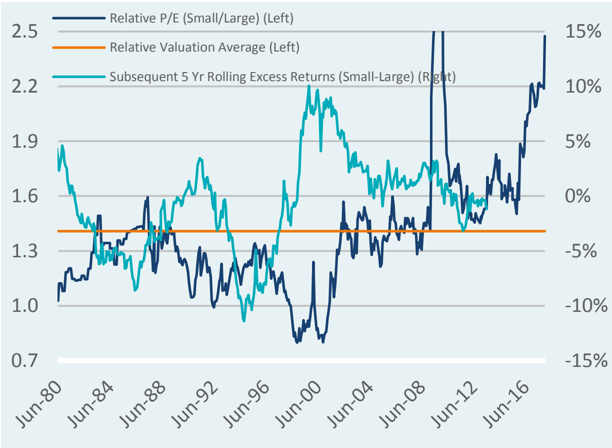
Style tilts: U.S. large vs. small

— Large cap equities outperformed small cap equities during December (Russell 1000 +1.1% and Russell 2000 -0.4%).

— Over all the time periods examined below, large cap equities have provided superior risk-adjusted returns (Sharpe Ratio) relative to small cap equities.

— The largest deviation in performance between large cap and small cap equities was experienced by the utilities and financial services sectors, where large cap companies outperformed small cap companies by 3.9% and 3.7%, respectively. Healthcare and energy were the only sectors where small cap companies outperformed (+1.5% and 1.2%, respectively).

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



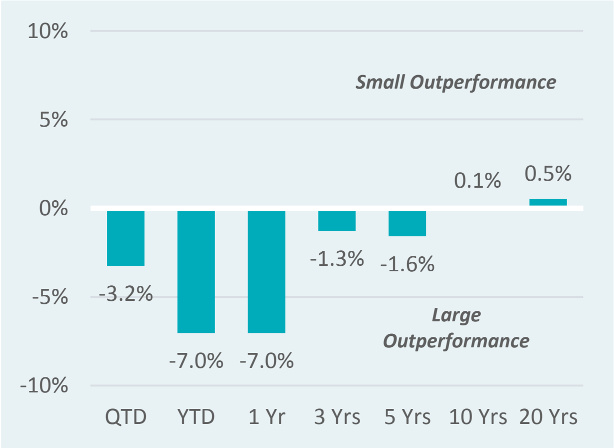
Source: Russell, Bloomberg, as of 12/31/17

U.S. LARGE VS. SMALL ABSOLUTE PERFORMANCE

	RUSSELL 1000 INDEX ANNUALIZED RETURN TO DATE %	RUSSELL 2000 INDEX ANNUALIZED RETURN TO DATE %
QTD	6.6	3.3
YTD	21.7	14.6
1 YEAR	21.7	14.6
3 YEARS	11.2	10.0
5 YEARS	15.7	14.1
10 YEARS	8.6	8.7
20 YEARS	7.4	7.9
	SHARPE RATIO	SHARPE RATIO
3 YEARS	1.06	0.71
5 YEARS	1.55	1.00
10 YEARS	0.59	0.50
20 YEARS	0.42	0.38

Source: Morningstar, as of 12/31/17

U.S. LARGE VS. SMALL RELATIVE PERFORMANCE



Source: Morningstar, as of 12/31/17

Commodities

— The broad Bloomberg Commodity Index rose 3.0% in December. The main drivers of performance were industrial metals and petroleum, whose sub-indices returned 9.2% and 6.2%, respectively.

— The Bloomberg Petroleum sub-index was positively affected by WTI crude oil prices, which ended the month at $60.42 per barrel, the highest price since December 2014.

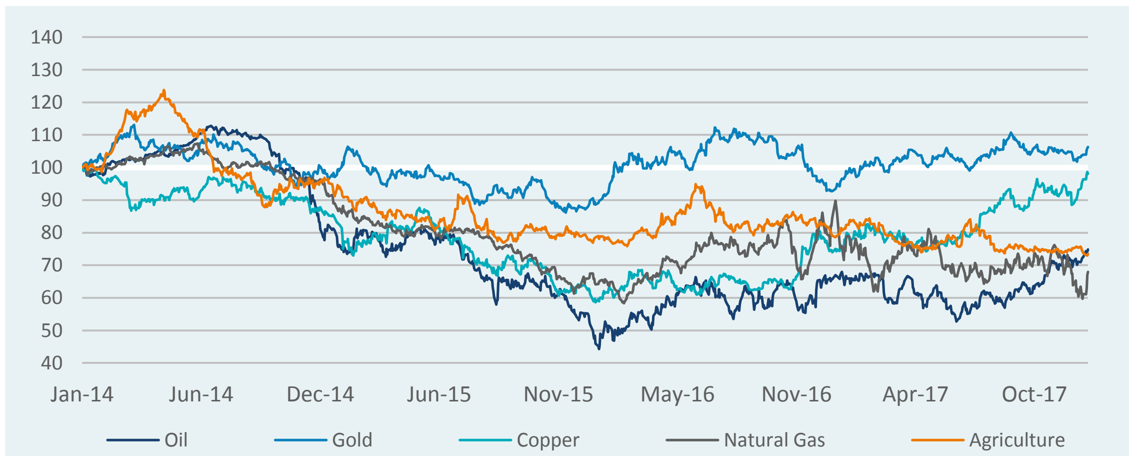
— Aluminum and copper outperformed the Bloomberg Industrial Metals Sub-Index, returning 10.7% and 7.7%, respectively during December. Prices were likely influenced by rising global growth expectations, strong manufacturing data, and a weaker U.S. dollar.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	3.0	4.7	1.7	1.7	(5.0)	(8.5)	(6.8)
Bloomberg Agriculture	(1.5)	(2.0)	(11.0)	(11.0)	(8.5)	(9.8)	(4.9)
Bloomberg Energy	3.9	8.9	(4.3)	(4.3)	(12.1)	(15.4)	(17.4)
Bloomberg Grains	(2.0)	(4.8)	(11.3)	(11.3)	(12.4)	(12.7)	(7.0)
Bloomberg Industrial Metals	9.2	10.7	29.4	29.4	4.3	(1.8)	(2.8)
Bloomberg Livestock	(0.7)	3.3	6.4	6.4	(6.6)	(2.6)	(5.8)
Bloomberg Petroleum	6.2	16.4	9.6	9.6	(8.0)	(14.3)	(12.1)
Bloomberg Precious Metals	3.0	2.0	10.9	10.9	2.5	(7.0)	3.2
Bloomberg Softs	1.6	5.2	(14.8)	(14.8)	(4.6)	(8.3)	(3.3)

Source: Morningstar, as of 12/31/17

COMMODITY PERFORMANCE



Source: Bloomberg, as of 12/31/17

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Appendix

Periodic table of returns

BEST

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	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	37.3	17.3	10.0
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	30.2	15.2	9.2
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	25.0	15.7	8.7
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	22.2	14.1	8.6
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	21.7	14.0	8.2
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	17.1	13.0	7.1
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	14.6	10.3	6.2
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	13.7	7.9	4.3
Small Cap Value	-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	7.8	6.8	4.0
Hedge Funds of Funds	-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	7.7	4.3	1.9
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	5.1	4.0	1.7
US Bonds	-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	3.5	2.1	1.1
Commodities	-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	1.7	0.3	0.3
Cash	-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	0.9	-8.5	-6.8

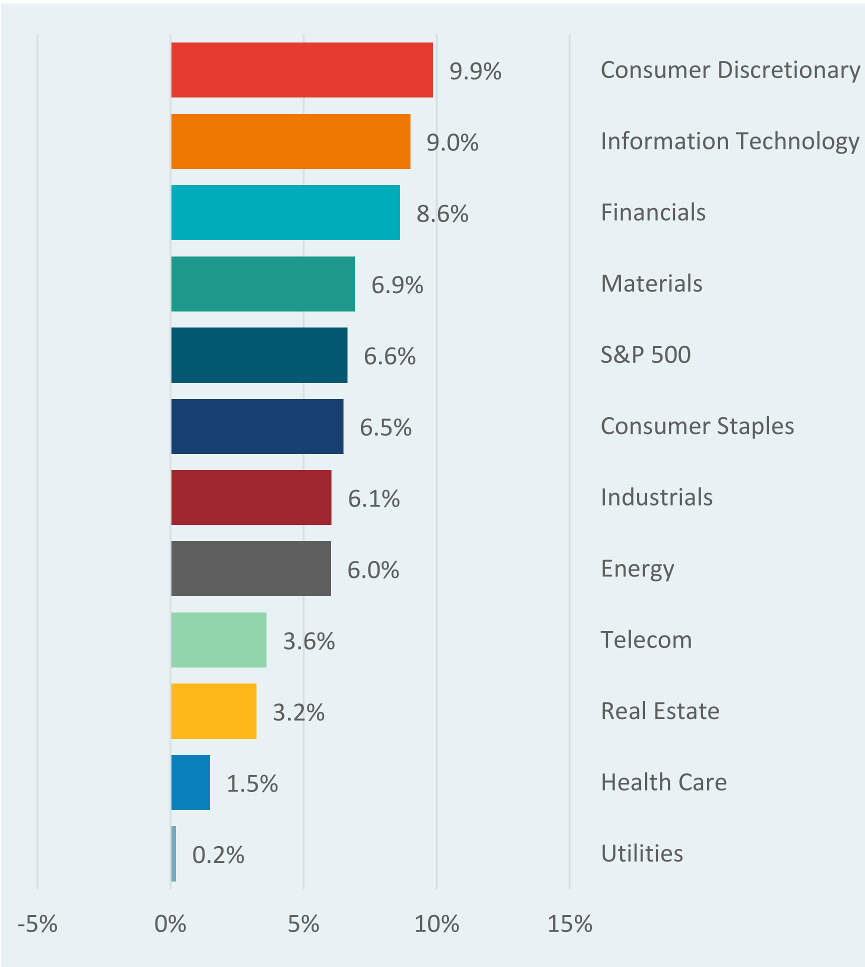
WORST

- 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

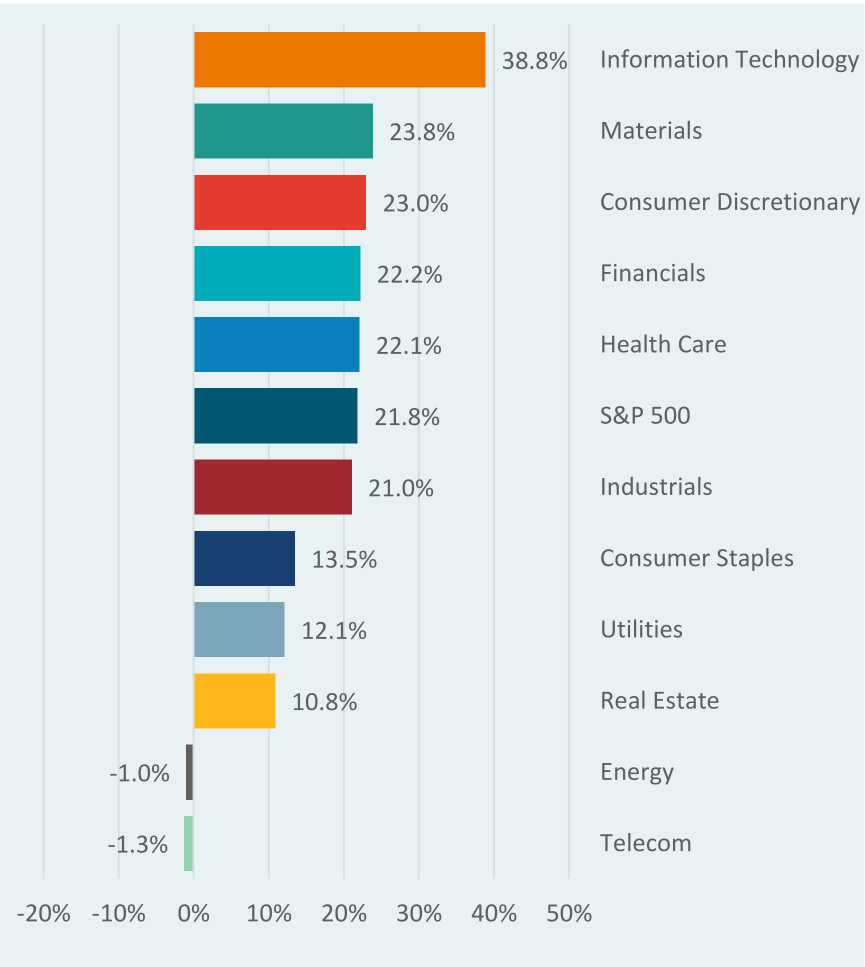
Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 9/30/17.

S&P 500 sector returns

QTD



ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/17

Source: Morningstar, as of 12/31/17

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	1.1	6.6	21.8	21.8	11.4	15.8	8.5
S&P 500 Equal Weighted	1.2	6.2	18.9	18.9	10.1	15.8	10.2
DJ Industrial Average	1.9	11.0	28.1	28.1	14.4	16.4	9.3
Russell Top 200	1.2	6.8	23.0	23.0	11.9	16.0	8.4
Russell 1000	1.1	6.6	21.7	21.7	11.2	15.7	8.6
Russell 2000	(0.4)	3.3	14.6	14.6	10.0	14.1	8.7
Russell 3000	1.0	6.3	21.1	21.1	11.1	15.6	8.6
Russell Mid Cap	0.9	6.1	18.5	18.5	9.6	15.0	9.1
Style Index							
Russell 1000 Growth	0.8	7.9	30.2	30.2	13.8	17.3	10.0
Russell 1000 Value	1.5	5.3	13.7	13.7	8.7	14.0	7.1
Russell 2000 Growth	0.1	4.6	22.2	22.2	10.3	15.2	9.2
Russell 2000 Value	(1.0)	2.0	7.8	7.8	9.5	13.0	8.2

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US Treasury US TIPS	0.9	1.3	3.0	3.0	2.1	0.1	3.5
BBgBarc US Treasury Bills	0.1	0.2	0.8	0.8	0.4	0.3	0.5
BBgBarc US Agg Bond	0.5	0.4	3.5	3.5	2.2	2.1	4.0
Duration							
BBgBarc US Treasury 1-3 Yr	0.0	(0.3)	0.4	0.4	0.6	0.6	1.5
BBgBarc US Treasury Long	1.7	2.4	8.5	8.5	2.8	3.5	6.6
BBgBarc US Treasury	0.3	0.1	2.3	2.3	1.4	1.3	3.3
Issuer							
BBgBarc US MBS	0.3	0.2	2.5	2.5	1.9	2.0	3.8
BBgBarc US Corp. High Yield	0.3	0.5	7.5	7.5	6.4	5.8	8.0
BBgBarc US Agency Interm	0.0	(0.3)	1.1	1.1	1.1	1.0	2.5
BBgBarc US Credit	0.8	1.0	6.2	6.2	3.6	3.2	5.4

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	1.6	5.7	24.0	24.0	9.3	10.8	4.7
MSCI ACWI ex US	2.2	5.0	27.2	27.2	7.8	6.8	1.8
MSCI EAFE	1.6	4.2	25.0	25.0	7.8	7.9	1.9
MSCI EM	3.6	7.4	37.3	37.3	9.1	4.3	1.7
MSCI EAFE Small Cap	2.7	6.1	33.0	33.0	14.2	12.9	5.8
Style Index							
MSCI EAFE Growth	1.7	5.2	28.9	28.9	9.2	8.8	2.7
MSCI EAFE Value	1.5	3.2	21.4	21.4	6.4	6.9	1.1
Regional Index							
MSCI UK	5.0	5.7	22.3	22.3	4.1	5.2	1.5
MSCI Japan	0.7	8.5	24.0	24.0	11.6	11.2	3.2
MSCI Euro	(0.5)	0.4	26.5	26.5	7.6	7.9	(0.3)
MSCI EM Asia	2.8	8.4	42.8	42.8	11.0	7.9	3.6
MSCI EM Latin American	4.4	(2.3)	23.7	23.7	3.8	(3.2)	(1.7)

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	3.0	4.7	1.7	1.7	(5.0)	(8.5)	(6.8)
Wilshire US REIT	(0.1)	1.7	4.2	4.2	5.2	9.3	7.3
CS Leveraged Loans	0.4	1.2	4.2	4.2	4.5	4.3	4.6
Regional Index							
JPM EMBI Global Div	0.7	1.2	10.3	10.3	7.1	4.6	7.3
JPM GBI-EM Global Div	2.0	0.8	15.2	15.2	2.5	(1.5)	3.6
Hedge Funds							
HFRI Composite	0.9	2.5	8.5	8.5	4.2	4.9	3.2
HFRI FOF Composite	0.9	2.0	7.7	7.7	2.6	4.0	1.1
Currency (Spot)							
Euro	0.7	1.6	13.8	13.8	(0.3)	(1.9)	(1.9)
Pound	(0.1)	0.8	9.5	9.5	(4.6)	(3.6)	(3.8)
Yen	(0.7)	(0.1)	3.5	3.5	2.1	(5.2)	(0.1)

Source: Morningstar, as of 12/31/17

Definitions

***Conference Board Consumer Confidence** - The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitudes and buying intentions, with data available by age, income, and region. (https://www.conference-board.org/data/consumerconfidence.cfm)*

***NFIB Small Business Index** - NFIB Research Center has collected Small Business Economic Trends Data with Quarterly surveys since 1973 and monthly surveys since 1986. The sample is drawn from the membership files of the National Federation of Independent Business (NFIB). (https://www.nfib.com/assets/SBET-Dec-2017.pdf)*

***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)*

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San Luis Obispo County Pension Trust
SLOCPT

Date: January 22, 2018

To: Board of Trustees

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

<u>Agenda Item 14: Asset Allocation January 2018</u>

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.

At the November 2017 Board of trustees meeting we had communicated our intent to implement near year-end rebalancing transfers between various investment portfolios to balance investment styles. Chiefly, to reduce the overweight in growth equities relative to value equities. Such transfers are under the investment rebalancing authority and responsibility of the Executive Secretary / Chief Investment Officer under the Pension Trust's Investment Policy.

Subsequent to that announcement strong market returns in December have pushed the fund's asset mix towards the upper policy limits for some asset classes. As a result, Verus recommends a more extensive asset mix rebalancing as well as an investment style rebalancing. These asset rebalancing changes have been discussed with Scott Whalen of Verus as the Pension Trust's investment consultant and he is in general agreement pending finalization of the amounts.

The final amount of transfers to be initiated may vary based on the actual year-end asset mix, but the revised preliminary rebalancing plan is shown below. The net total of the transfers also leaves approximately $11 million allocated to liquidity reserves as part of the normal quarterly cash flow management of the fund to provide for benefit payments and reserves for near-term capital calls.

$ amt.s in millions	Est. Mkt. Val.	Rebalance Transfers	
Domestic Equity			
SSGA S&P 500 (index)	$12.5	-$12.5	
Loomis Sayles (growth)	$96.8	-$12.0	
Boston Partners (value)	$86.4		
PIMCO/RAFI (enhanced index)	$58.7		
Atlanta Capital (small/mid cap)	$62.4		
International Equity			
Dodge & Cox Intl. (value)	$176.0	-$12.0	
WCM Intl. (growth)	$160.9	-$ 5.0	
Fixed Income			
Dodge & Cox Income	$100.0	+$5.0	
BlackRock Bonds	$95.7	+$5.0	
Brandywine (global)	$71.6	+$5.0	
Stone Harbor (emerging mkt.s)	$70.7	+$5.0	
Pacific Asset Mgmt. (bank loans)	$68.0		
Real Estate			
JP Morgan Strategic Properties	$151.1		
American Realty Advisors	$11.5	+$1.5	Capital call
FPI local RE	$13.0		
Commodities			
Gresham	$38.7	+$6.0	
Private Equity			
Pathway Fund 9	+5.0	+$1.6	Capital call
Private Credit			
TPG	$30.8	+$1.6	Capital call