



# Stanislaus County Employees' Retirement Association

832 12th Street, Ste. 600, Modesto, CA 95354 • PO Box 3150, Modesto, CA 95353 • [www.stancera.org](http://www.stancera.org) • 209-525-6393 • 209-558-4976 Fax

## AGENDA

### BOARD OF RETIREMENT

832 12<sup>th</sup> Street Ste. 600, **Wesley W. Hall Board Room**  
Modesto, CA 95354

**June 28, 2016**  
**1:30 p.m.**

The Board of Retirement welcomes you to its meetings, which are regularly held on the third Wednesday of each month. Your interest is encouraged and appreciated.

**CONSENT ITEMS:** These matters include routine administrative actions and are identified under the Consent Items heading.

**PUBLIC COMMENT:** Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the "Public Comment," period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

**BOARD AGENDAS & MINUTES:** Board agendas, minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: [www.stancera.org](http://www.stancera.org).

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

**AUDIO:** All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at <http://www.stancera.org/agenda>.

**NOTICE REGARDING NON-ENGLISH SPEAKERS:** Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

**REASONABLE ACCOMMODATIONS:** In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Call Meeting to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
  - a. Approval of the May 24, 2016 Meeting Minutes [View](#)
  - b. Monthly Staff Report [View](#)
  - c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
    1. Arroyo, Blanca – CSA – Effective 06-03-2016
    2. Bernal, Jackie – Sheriff – Effective 05-31-2016
    3. Gilstrap, Greg – Sheriff – Effective 06-16-2016 \*
    4. Harris, Vincent – StanCOG – Effective 06-01-2016
    5. Marshall, Alina – Courts – Effective 05-23-2016
    6. Roehr, Bruce – GSA – Effective 06-10-2016
    7. Schtoeder-Verbeck, Maria – Sheriff – Effective 06-03-16

\* Indicates Safety Personnel

d. Approval of Deferred Retirement(s) – **Section 31700**

1. Caballero, Julissa – BHRS – Effective 05-14-2016
2. Crist, Ann – Sheriff – Effective 06-04-2016
3. Kole, Melissa – Courts – Effective 05-14-2016
4. Pollard, Kimberly– Sheriff – Effective 05-03-2016
5. Roton, Stacey – Ceres – Effective 05-23-2016

*\* Indicates Safety Personnel*

e. Approval of Reciprocal Disability Retirement - **Section 31838.5**

1. Camacho, Eduardo - Deputy Sheriff Custodial, Service-Connected, Effective 07-19-15\*

*\* Indicates Safety Personnel*

f. Approval of Disability Retirement - **Section 31724**

1. Del Real, Rochelle - Probation Corrections Officer II, Service-Connected, Effective 01-27-2015\*
2. Sanson, Jennifer - Emergency Dispatcher, Non-Service Connected, Effective 09-22-2015

*\* Indicates Safety Personnel*

6. Investment Manager Annual Presentation

a. Capital Prospects Presentation [View](#)

- I. Value Added Report [View](#)

b.. Raven Capital Presentation [View](#)

7. Executive Director – Investment

No Items

8. Verus – Investment Consultant

a. May 31, 2016 Flash Report [View](#)

b. Discussion and Action Regarding the Project Plan: Asset Allocation Implementation [View](#)

9. Executive Director - Administrative

a. Information Technology Solutions (ITS) Project Update

10. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:  
O’Neal et al v. Stanislaus County Employees’ Retirement Association  
Stanislaus County Superior Court Case No. 648469  
Government Code Section 54956.9(d)(1)
- b. Conference with Legal Counsel – Pending Litigation – One Case:  
Stanislaus County Employees’ Retirement Association v. Buck Consultants,  
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152  
Government Code Section 54956.9(d)(4)

11. Members' Forum (Information and Future Agenda Requests Only)
12. Adjournment



**BOARD OF RETIREMENT MINUTES**  
**May 24, 2016**

**Trustees Present:** Jim DeMartini, Michael O'Neal, Jeff Grover, Donna Riley, Mandip Dhillon  
Mike Lynch, Sam Sharpe and Jegan Raja for Gordon Ford

**Alternate Trustee Absent** Joan Clendenin, Alternate Retiree Representative

**Trustees Absent:** Jason Gordo

**Staff Present:** Rick Santos, Executive Director  
Kathy Herman, Fiscal Services Manager  
Kellie Gomes, Executive Board Assistant

**Others Present:** Jim Olivera, General Legal Counsel  
Ed Hoffman, Investment Consultant

1. Meeting Called to Order

Meeting called to order 1:30 p.m. by Trustee Riley, Chair

2. Roll Call

3. Announcements

Director announced that Art DeWerk, a retiree from Ceres was pleased with learning that he could get insurance through the County and receive the tax break. As a result, staff will not attempt to put a work-around in place unless the issue comes up again.

Director announced that the Board of Supervisors accepted Jason Gordo's resignation from StanCERA and Trustee DeMartini announced that the County currently has one application for the position, Darin Gharat

4. Public Comment

None

5. Consent Items

a. Approval of the April 20, 2016 Meeting Minutes

b. Monthly Staff Report

c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Blades, Luke – Public Works – Effective 05-11-2016
2. Campbell, Carrie – DCSS – Effective 01-16-2016
3. Mincey, Roslyn – CSA – Effective 04-30-2016
4. Pierce, Steven – Probation – Effective 04-22-2016 \*
5. Roman, Rebecca – DCSS – Effective 05-03-2016
6. Shook, Scott – GSA – Effective 05-03-2016
7. Zaragoza, Raul – CSA – Effective 03-25-2016

\* Indicates Safety Personnel

5. Consent Items (Cont.)d. Approval of Deferred Retirement(s) – **Section 31700**

1. Brandon, Jeff – Probation – Effective 04-16-2016 \*
2. Campbell, Kinisha – HSA – Effective 04-21-2016
3. Carrasco, Yesenia – CSA – Effective 05-03-2016
4. Fukui, Tomonori – BHRS – Effective 04-03-2016
5. Garcia, Juan Gerardo – ER – Effective 04-06-2016
6. Hancock, Irene – CSA – Effective 03-05-2016
7. Kitcher, Keith – City of Ceres – Effective 04-03-2016 \*
8. Wu, Christina Lu-Yi – HSA – Effective 04-16-2016

*\* Indicates Safety Personnel*

Motion was made by Trustee O'Neal and seconded by Trustee Dhillon to accept the consent items as presented.

Motion carried unanimously

Item 7.a heard out of order to accommodate the Investment Manager delay of presentation (Item 6a.1.)

7. Executive Director – Investment

## a. 2016 Quarter 1 Auxiliary Investment Report

6. Investment Manager Annual Presentation

## a. Jackson Square Partners Presentation

## I. Value Added Report

Kevin Brown from Jackson Square gave an update on the fund and explained the reasons for the sub-par performance. Mainly stock selection and sector both worked against Jackson Square. The health care sector in particular was extremely depressed and Kevin explained that the sector was actually hampered by a “good” economy and some predatory pricing allegations.

7. Executive Director – Investment

## b. Additional Investment Administration Resources

Director gave a summary on the increased costs that will be necessary to continue to administer a more complex portfolio. Staff estimates the additional value/cost to be in the neighborhood of \$150,000/year.

8. Verus – Investment Consultant

## a. April 30, 2016 Flash Report

April Portfolio Return:	1.2%
April U.S. Equity:	8%
April International Equity:	2.0%
April Fixed Income:	1.0%
April Real Estate:	-1.4%

8. Verus – Investment Consultant (Cont.)

## b. Investment Performance Review QTR 1

Qtr Ytd	-0.3%	Fixed Income	2.6%
U.S. Equity	-1.6%	Real Estate	1.9%
INT. Equity	-1.3%	Direct Lending	-0.6%

## c. Risk Dashboard Review

Ed Hoffman gave the Board an overview of the risk metrics. See agenda item for statistics.

## d. Discussion and Action Regarding the Asset Allocation

Motion was made by Trustee O'Neal and seconded by Trustee Sharpe to accept the 6-year Functionally Focused Portfolio as its 3-year strategic asset allocation. The Board directed staff to bring back a timeline for the movement and to brief the Board each month on the status of the transition.

Motion passed 7/1 with a roll call vote:

Jim DeMartini	Yes
Michael O'Neal	Yes
Jeff Grover	Yes
Donna Riley	Yes
Mandip Dhillon	Yes
Mike Lynch,	No
Sam Sharpe	Yes
Jegan Raja	Yes

9. Executive Director - Administrative

## a. Information Technology Solutions (ITS) Project Update

Kathy Herman briefed the Board on the status of the project. Staff is preparing for vendor conferences next week and the final decision on the vendor choice is scheduled for August 23rd. At this time, the project is running on schedule.

## b. Discussion and Action Regarding Legal Counsel To Assist with Procurement Contracts for the Information Technology Solutions Project (ITS)

Motion was made by Trustee Dhillon and seconded by Trustee Lynch to approve the retention of Steve Miller and Robert McFarlane, of HansonBridget LLP to act as legal counsel in preparation for and negotiation of procurement contracts for the Information Technology Solutions Projects and authorize the Executive Director to execute the engagement letter for the not-to-exceed price of \$30,000.

Motion passed unanimously



9. Executive Director – Administrative (Cont.)

- c. Discussion and Action Regarding the Completion of Vacant Space at 832 12th Street, Suite 600

Motion was made by Trustee Lynch and seconded by Trustee O'Neal to accept the proposal, and authorize the Executive Director to negotiate the final terms and enter into contract with Norwood Construction for the not-to-exceed price of \$67,113 for the buildout of the vacant space on the 6th floor of 832 12th Street, Modesto, CA. and Direct staff to include an additional \$22,146 to the Fiscal Year 2016-2017 budget to complete the project. (\$17,113 plus 7.5% contingency)

Motion passed unanimously

- d. Discussion and Action Regarding Fiscal Year 2016-2017 Proposed Administrative Budget

Motion was made by Trustee Lynch and seconded by Trustee Sharpe to approve the recommended Proposed Administrative Budget for Fiscal Year 2016-2017

Motion passed unanimously

10. Closed Session

No Closed Session .

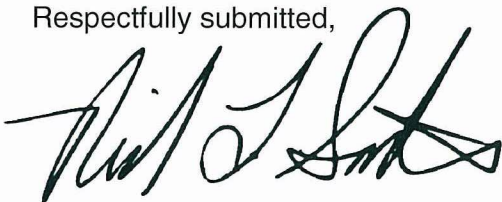
11. Members' Forum (Information and Future Agenda Requests Only)

Trustee O'Neal gave a brief update on the SACRS May conference and stated that all SACRS issues up for consideration were approved the way the Board directed the delegate committee to vote

13. Adjournment

Meeting adjourned at 3:50 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:  
Fred Silva, GENERAL LEGAL COUNSEL

By:   
Jim Oliveira, General Legal Counsel



**June 28, 2016**

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Monthly Staff Report
- II. ITEM NUMBER: 5.b
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS:

*Fiscal Services* – In May, employer and employee contributions totaling \$6,105,657 were received through 16 different payroll batches. In addition, 15 contribution refunds and 8 death benefits were processed. Accounting staff is gearing up for the fiscal year end closing and financial audit. The June 1 payroll provided more challenges due to the upgrade of the new server. Considerable analysis by Tyler Inc. and internal staff should have the problems solved by meeting date. The retiree payroll of \$9,461, 090 was processed on time.

New hires for the county continue to increase. Each new hire is manually processed to ensure all the details of membership are accurate. If not, additional contribution analysis is then completed to correct any over or under payment of contributions.

The RFP for the buildout of the vacant space on the 6<sup>th</sup> floor was completed and a contractor selected. Work is scheduled to begin in July and the recruitment for a Member and Employer Services Specialist continued and should be wrapped up in June.

- a) *Member & Employer Services* – During the month of May 2016, Member and Employer Services Staff processed 26 new hires (4 Safety and 22 General). There were 20 individual counseling sessions.

Staff continues to work with the Linea Consultants as necessary.

The Pre-Retirement registration began on May 2, 2016 and reached its capacity of 155 attendees in the first week. We finished May with 62 on the waiting list. Staff continued to work on the preparation for this event to be held on June 2, 2016.

Staff participated 2 days on an oral interview panel for a Confidential IV list that will be used to fill our position at StanCERA as well as establish an eligible list Countywide.

- b) *Investment Governance and Compliance* – Staff is still working closely with our investment consultant on the timeline for implementation of the new asset allocation and the execution strategies associated with the FFP process. Additionally, staff has begun the exercise of developing the requirements and desirable characteristics of an investment technician position. It should be noted that on a continuous basis, staff works to maintain a rich database of statistical information and data on all of our investment managers. We have also begun refining our statistical tools that will allow StanCERA to project cash shortfalls over the next 6 years to be used in maintaining the FFP strategy.



VI. RISK: None

VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently\*

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

  
\_\_\_\_\_  
Rick Santos, Executive Director  
\_\_\_\_\_  
Kathy Herman, Fiscal Services Manager  
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Dawn Lea, Member and Employer Services Manager

*Capital Prospects LLC*

*Stanislaus County  
Employees' Retirement Association*

*Small Cap Value Emerging Manager Program Review*

*June 28, 2016*

ITEM 6.a

*Marilyn R. Freeman*

*Elizabeth A. Knope*



C A P I T A L   P R O S P E C T S   L L C

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## Capital Prospects LLC

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- Formed October, 2002
- SEC Registered Investment Adviser
- 100% women-owned and controlled; Principals each own 50%
- Focus on emerging manager-of-managers investment programs
  - Area of specialty for both partners since 1992
  - Built emerging business to approximately \$2.0 billion and 8 key clients at previous employer
- CP specializes in domestic emerging managers and minority/woman-owned managers
- AUM as of May 31, 2016 *preliminary*: \$1,132 million; 6 client relationships
  - Russell 3000 \$353 million, 2 accounts
  - Russell 2500 \$ 40 million, 1 account
  - Russell 2000 Value \$159 million, 2 accounts
  - Russell 2000 \$135 million, 3 accounts
  - Russell 3000/Barclays Intermediate Aggregate \$445 million, 1 account



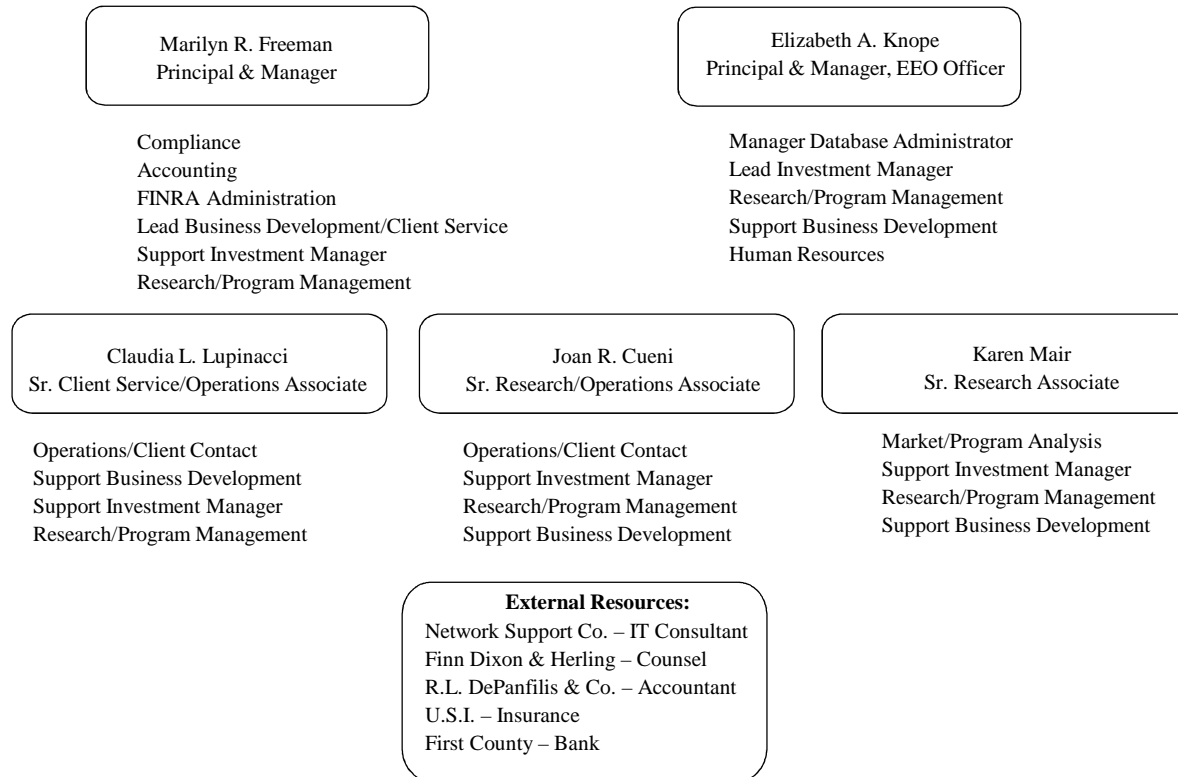
## Capital Prospects LLC - Client Profile

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Client	Total Plan (12/15) (billions)		CP Allocation (6/15) (millions)		Benchmark	Funding Date
1	\$	155.1	\$	208.5	Russell 3000 & Russell 2000	12/2007 (small cap 6/2012)
2		43.7		438.3	Blended Broad Equity & Barclays Intermediate	12/2008
3		28.1		273.1	Russell 3000	9/2005
4		2.4		75.2	Russell 2000 Value	7/2006
5		1.8 (9/14)		79.5	Russell 2000 Value	1/2009
6		2.2		35.0	Russell 2500	1/2016



## Capital Prospects LLC - Organizational Chart



Name	Title/Role	Yr Joined	# Yr Exp.	Education/Certifications
Marilyn R. Freeman	Principal & Manager, CCO	2001	35+	BA, MBA
Elizabeth A. Knope	Principal & Manager, EEO	2002	40+	BA, MBA, CFA
Karen A. Mair	Sr. Research Associate	2012	18+	BA, MBA
Joan R. Cueni	Sr. Research/Operations Associate	2004	16+	BS
Claudia L. Lupinacci	Sr. Client Service/Operations Associate	2006	16+	BA





## Capital Prospects LLC

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### **Marilyn R. Freeman**

- \* Principal and Manager, **Capital Prospects LLC**
- \* EVP & Director of Client Service, **Northern Trust Global Advisors, Inc.** and predecessor firm **RCB International, Inc.**
- \* Partner and Managing Director, **Rogers, Casey & Barksdale, Inc.**
- \* Member of The Greenwich Roundtable

35+ years investment experience  
B.A. State University of NY at Stony Brook  
M.B.A. University of Connecticut

### **Elizabeth A. Knope, CFA**

- \* Principal and Manager, **Capital Prospects LLC**
- \* EVP & Director of U.S. Investment Research, **Northern Trust Global Advisors, Inc.** and predecessor firm **RCB International, Inc.**
- \* Partner and Managing Director, **Rogers, Casey & Barksdale, Inc.**
- \* Manager, Pension Fund Planning & Analysis, **AT&T** and **New England Telephone**
- \* Investment Analyst, **The Boston Company, Inc.**

40+ years investment experience  
B.A. Skidmore College  
M.B.A. Boston University

### **Karen A. Mair**

- \* Sr. Research Associate, **Capital Prospects LLC**
- \* Director, Private Banking & Investments Group, **Merrill Lynch & Co.**
- \* Senior Risk Manager, **Engelhard Corporation**
- \* Senior Financial Analyst, **Federal Reserve Bank of NY**

18+ years investment experience  
B.A. Trinity College  
M.A. Harvard University

### **Joan R. Cueni**

- \* Sr. Research/Operations Associate, **Capital Prospects LLC**
- \* Research Assistant, **HEI Hospitality**
- \* Jr. Analyst, **Northern Trust Global Advisors, Inc.**

16+ years investment experience  
B.S. Iona College

### **Claudia L. Lupinacci**

- \* Sr. Client Service/Operations Associate, **Capital Prospects LLC**
- \* Sr. Analyst, Client Services Team Leader, **Northern Trust Global Advisors, Inc.**
- \* Staff Accountant, **J.S. Karlton Company, Inc.**

16+ years investment experience  
B.A. Pace University



C A P I T A L   P R O S P E C T S   L L C

## Research Universe

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- Specialized focus on domestic emerging managers – over 30 years experience evaluating/funding emerging firms
- “Emerging” is a client-defined term – the resulting candidate universe is dynamic. We extend coverage to:
  - More recently established investment firms
  - Established firms newly entering the institutional arena
  - Emerging talent/products within larger organizations on an opportunistic basis
- We monitor established as well as emerging minority- and woman-owned investment firms
- “Focus List” of generally 170-180 firms includes those subject to more extensive research/monitoring and those currently funded; secondary list of firms (currently numbers 140) are either very early on in the research process or those still monitored but of less interest



## Investment Strategy and Objectives

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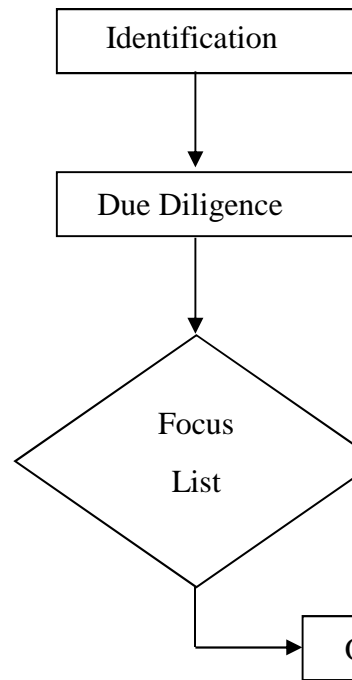
- Primary investment program goal is to add value over the chosen benchmark within acceptable risk parameters
  - Benchmark, risk tolerances and return expectations determined in conjunction with client
- Manager research focuses on identifying investment managers able to develop unique insights/strategies, who have solid implementation processes that prospectively give them a performance advantage
- Investment program construction keys off the profile and dynamics of the benchmark. We engineer the manager mix so that the overall program will be:
  - Tailored to risk specifications
  - Well-diversified
  - Benchmark “style” neutral
- At every step, judgments are developed based upon an assessment of both qualitative and quantitative factors
- Value added results in part from our construction decisions but is primarily expected to come from the active decisions of the individual managers in terms of:
  - Security selection
  - Sector/industry bets
  - Investment/economic themes
  - Risk factor exposures

*Note: Past performance is not indicative of future results.*

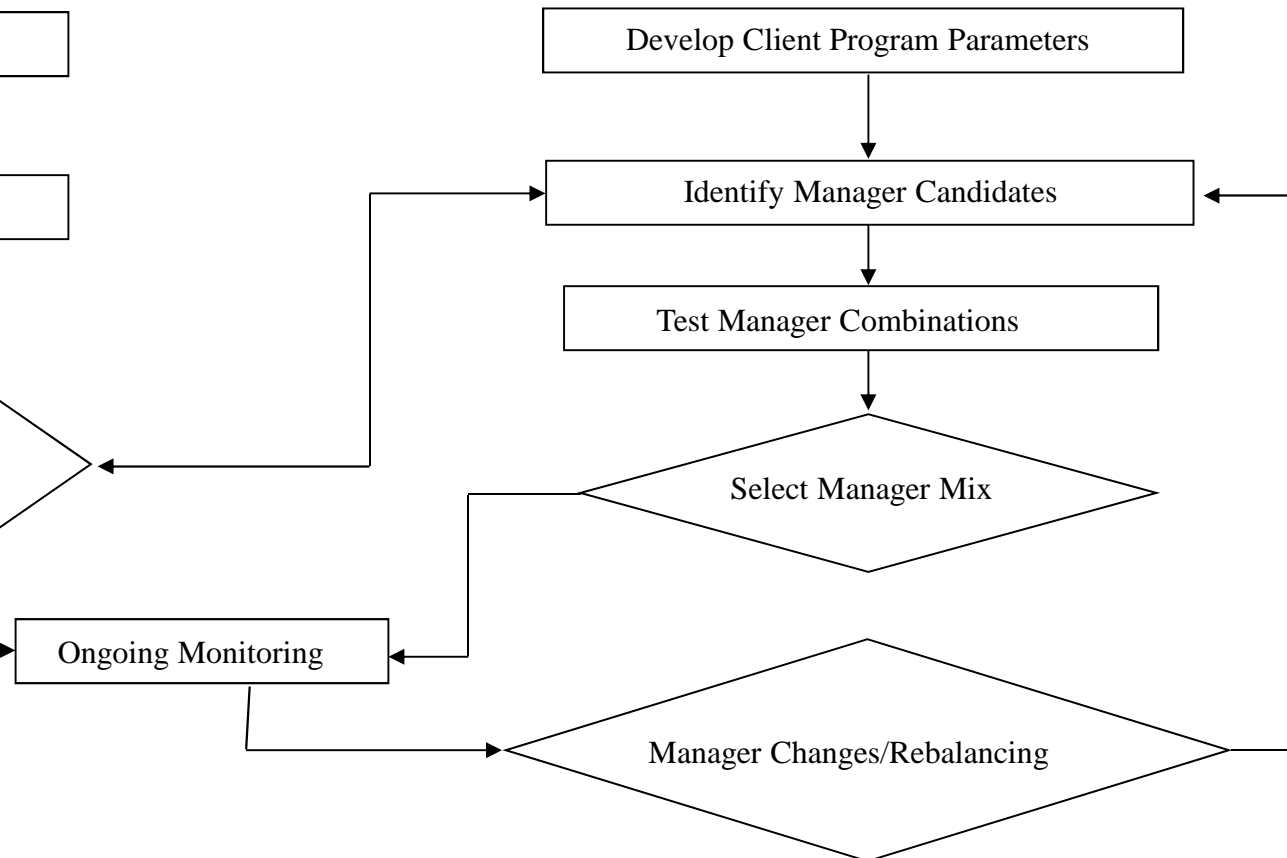


## Investment Process

### Manager Research Effort



### Decision Making Process Investment Program Management

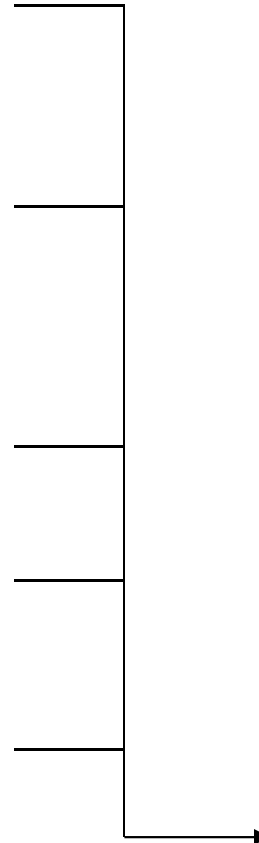


## Investment Process

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### Ongoing Manager Research and Evaluation

- Identify managers of interest
  - Managers contacting us
  - Our networking
  - Conferences
  - Trade press articles
  - Database analysis
- Review background material
  - Firm profile/history
  - People
  - Investment philosophy and process
  - Performance
- Interviews with key professionals
  - Including on-site meetings
- Quantitative assessment
  - Portfolio characteristics
  - Performance history
- Reference checks



Research Focus List





# Manager Evaluation

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## Qualitative Factors

- Organization
  - History/development of firm, business profile, financial resources, growth plans
  - Investment professionals' backgrounds/experience, commitment
  - Strength of support structure and operational/administrative controls
  - Any regulatory issues
- Investment philosophy and process
  - Thoroughness and depth
  - Caliber of research effort and adequacy of resources
  - Flexibility of thought process
  - Effectiveness of implementation – buy and sell disciplines, trading
  - Consistency of characteristics with style
  - Potential to add value / “uniqueness” versus peers

## Quantitative Factors

- Portfolio characteristics and risk factor exposures
  - Consistency over time and with style
- Risk profile
  - Diversification characteristics, volatility measures, tracking error
- Historical performance comparisons
  - Versus benchmark, peers, style and in different market environments
- Value added expectations



# Investment Process

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## Investment Program Management

- Define parameters of client program
  - Investment objectives
  - Manager qualifications
  - Benchmark
  - Risk and return expectations
- Develop manager candidate list (from Research Focus List)
- Program construction
  - Test manager combinations for optimal mix versus benchmark
    - Diversification
    - Risk profile
    - Value added potential
- Ongoing monitoring
  - Results versus selection criteria
  - Performance analysis and attribution
- Program rebalancing; manager changes/graduation
  - Rebalance to original style, capitalization and specific manager allocations periodically
  - Terminations typically result from adverse firm developments, inconsistent strategy, excessive asset growth, undesirable volatility or persistent underperformance
  - Graduation policy set in conjunction with the client - in our view, these may be case-by-case decisions driven by expected value-added potential



## Analytic Systems Process

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- Continued due diligence on vendors of analytical systems to support our manager research, investment program management and client service requirements
- Currently have agreements in place with:
  - eVestment Alliance                      Manager database:                      Manager profiles, performance, returns-based analytics, peer group comparisons
  - Investment Metrics
    - PARIS                      Returns-based analytics:                      Performance and risk analytics
  - Northfield                      Fundamental analytics:                      Risk model, portfolio analytics, holdings-based performance attribution, market data and analysis, broad market and custom benchmarks
  - FTSE Russell                      Index Data:                      Russell Index constituent data and analytics
- We are committed to acquiring additional tools, as we identify them, that we believe will enhance our ability to deliver a consistently superior investment product



## Analytic Systems Process

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- Investment Metrics & Northfield Information Services
  - Individual manager portfolio holdings from custodian (live accounts) or portfolio files from managers
  - Portfolios scaled to initial target weights (subjective)
  - Composite portfolio created; output analyzed relative to goals
  - Judgment as to changes to test to move composite to goal
  - Rescale portfolios and repeat process
  - Individual manager return streams calculated in PARIS
  - Composite returns created
  - Risk analytics run; assessment of results
  - If necessary re-weight composite and repeat process



## Stanislaus County Employees' Retirement Association

### Asset Allocation

- Funding date 1/1/09: \$49.1 million
- 2010 Scheduled Cash Flow: (\$300k) monthly
- Cash Flow 5/3/10: (\$7.5 million)
- 2011 Scheduled Cash Flow through 7/15/11: (\$250k) monthly
- Cash Flow 6/3/11: (\$10 million)
- Cash Flow 4/1/14: (\$2.2 million)
- Cash Flow 5/14/15, 5/21/15, 5/28/15: (\$13 million)
- Current value 4/30/16: \$83 million

	Total Portfolio (\$000) 4/30/16	% of Total Fund
Bernzott	\$11,193	13.5 %
Channing	18,569	22.4
InView	18,671	22.5
Keeley	10,636	12.8
Pacific Ridge	12,875	15.5
Walhausen	10,946	13.2
<b>Total Fund</b>	<b>\$82,889</b>	<b>100%</b>

- Manager changes/rebalancing
  - June, 2013 – transitioned Ten to Haber Trilix, retaining same portfolio manager
  - November, 2013 – replaced Haber Trilix (firm closed) with Pacific Ridge





## Stanislaus County Employees' Retirement Association

### Equity Investment Characteristics 3/31/2016

Manager	% Total	# Holdings	Wtd. Avg. Mkt. Cap (\$B)	Forecast P/E	Price/Book	Forecast Growth (%)	Yield (%)
Bernzott	13.6 %	27	\$ 2.1	16.5 x	2.8 x	6.1 %	1.9 %
Channing	22.5	39	2.5	15.8	2.1	16.5	2.0
InView	22.4	54	2.5	12.4	1.7	13.5	3.0
Keeley	13.1	65	2.4	16.3	1.9	10.3	1.9
Walhausen	13.0	71	0.2	13.8	1.5	12.8	1.2
Pacific Ridge	15.4	81	0.9	14.9	1.8	11.9	1.8
<b>Total Portfolio</b>	100.0 %	312	\$ 1.9	14.6 x	1.9 x	12.6 %	2.1 %
<b>Russell 2000 Value</b>		1,325	1.8	16.1 x	1.7 x	7.6 %	2.3 %

- All managers employ varying degrees of quantitative, fundamental and technical analysis: objective is to achieve a balanced mix
- “Core” position (60%) combines Channing’s and InView’s intrinsic value focus on currently undervalued, high quality companies with improving outlooks with a dedicated micro cap allocation to Pacific Ridge
- Remaining 40% more “eclectic”
  - Bernzott: Long term support from dividend/earnings growth plus critical assessment of management
  - Keeley: Corporate restructurings (especially spin-offs)
  - Walhausen: Cash flow generation; value creation strategies
- Resulting portfolio:
  - Well-diversified
  - Historically tilted toward higher quality
  - PEG ratio (on forecast growth and P/E) at a 28% discount to the benchmark
  - Moderate risk level (forecast tracking error of 3.97)



## Stanislaus County Employees' Retirement Association

*Sector Allocation - 3/31/2016*

<i>Shown in %</i>	<b>Bernzott</b>	<b>Channing</b>	<b>InView</b>	<b>Keeley</b>	<b>Pacific Ridge</b>	<b>Walthausen</b>	<b>Total Equity</b>	<b>Russell 2000 Value</b>
Energy	0.0	4.9	4.6	2.8	2.0	0.5	2.9	4.1
Materials	8.9	5.1	9.4	8.0	2.7	10.0	7.2	3.4
Industrials	31.7	19.1	18.8	20.0	28.8	21.1	22.6	11.9
Consumer Discretionary	13.0	8.2	12.6	18.4	13.8	19.0	13.5	10.0
Consumer Staples	0.0	2.5	2.3	1.6	3.0	1.0	1.9	3.6
Healthcare	15.0	3.1	1.4	2.6	1.3	5.0	4.3	4.2
Financials	6.1	33.6	34.7	28.6	24.7	28.4	27.4	43.0
Information Technology	18.9	15.9	5.5	7.0	20.9	9.3	12.7	10.8
Telecommunication Services	0.0	0.0	0.0	0.0	1.5	0.0	0.2	0.9
Utilities	0.0	6.1	5.5	6.8	0.0	2.4	3.8	8.2



## Stanislaus County Employees' Retirement Association

*Top Ten Holdings - 3/31/2016*

Bernzott	%	Channing	%	InView	%	Keeley	%
SP Plus Corp	5.3	Corporate Office Prop	3.7	Deluxe Corp	3.4	UMB Financial Corp	2.5
Gentex Corp	5.0	Booz Allen	3.5	Littelfuse Inc	3.3	Hanover Insurance	2.4
Generac Holdings	4.5	Microsemi Corp	3.5	ALLETE Inc.	3.1	John Bean Tech	2.3
Synopsys Inc	4.5	Meredith Corp	3.3	Blackstone Mort Trust	2.8	Vail Resorts Inc.	2.2
Masimo Corp	4.5	MB Financial Inc	3.3	Air Lease Corp	2.8	Kaiser Aluminum	2.1
Hillenbrand Inc	4.4	Littelfuse Inc	3.2	Modine Man Co	2.8	South Jersey Industries	2.1
Clean Harbors Inc	4.3	Belden Inc	3.2	Cousins Properties Inc	2.7	CST Brands Inc	2.0
Landauer Inc.	4.2	Matthews Intl	3.2	Gramercy Property Trust	2.6	Sensient Tech Corp	2.0
Cinemark Holdings Inc	4.2	Charles River Lab	3.1	Carriage Services Inc	2.6	Chemtura Corp	2.0
Callaway Golf Co	<u>3.9</u>	Evercore Partners Inc	<u>3.1</u>	Trinseo SA	<u>2.4</u>	Ryman Hospitality	<u>2.0</u>
<b>Total</b>	<b>44.7</b>	<b>Total</b>	<b>33.0</b>	<b>Total</b>	<b>28.5</b>	<b>Total</b>	<b>21.6</b>

Pacific Ridge	%	Walthausen	%	Total Fund	%
RadiSys Corp	3.0	Ply Gem Holdings Inc	2.3	ALLETE Inc.	1.6
Datalink Corp	2.7	Mueller Water Products	2.2	Littelfuse Inc	1.5
Rudolph Technologies	2.4	SeaWorld Entertainment	2.1	Hillenbrand Inc	1.3
Big 5 Sporting Goods	2.2	Big Lots Inc	2.1	MB Financial Inc	1.1
Hardinge Inc	2.0	Rogers Corp.	2.0	Cinemark Holdings Inc	0.9
Park Sterling Corp	2.0	Kindred Healthcare Inc	1.9	Air Lease Corp	0.9
Lifetime Brands Inc	1.9	Ferro Corp.	1.9	Corporate Office Prop	0.8
PC Connection Inc	1.9	Vishay Intertechnology	1.9	ABM Industries Inc	0.8
GigOptix Inc	1.9	Superior Industries Intl	1.9	Generac Holdings Inc	0.8
Barrett Business Svcs	<u>1.9</u>	Lakeland Financial Corp	<u>1.8</u>	IBERIABANK Corp	<u>0.8</u>
<b>Total</b>	<b>21.8</b>	<b>Total</b>	<b>20.3</b>	<b>Total</b>	<b>10.5</b>



# Stanislaus County Employees' Retirement Association

## Comparative Investment Performance

Subadvisors	YTD as of 4/30/16	2015	2014	2013	2012	2011	2010	2009
<b>Bernzott</b>	4.37 %	-7.18 %	7.19 %	35.06 %	17.33 %	10.33 %	21.12 %	41.41 %
<b>Channing</b>	3.24	-4.51	5.48	39.62	22.88	-5.93	33.00	23.47
<b>InView</b>	7.92	-10.71	5.35	35.54	21.81	-8.13	17.48	41.27
<b>Keeley</b>	2.01	-8.28	1.47	38.80	23.34	-4.99	21.53	18.72
<b>Walhausen</b>	4.78	-11.32	4.71	36.51	33.56	-3.99	43.57	37.96
<i>Russell 2000 Value</i>	3.86	-7.47	4.22	34.52	18.05	-5.50	24.50	20.58
<b>Pacific Ridge</b>	3.06	0.28	10.48	N/A	N/A	N/A	N/A	N/A
<i>Russell Microcap Value</i>	0.67	-6.45	3.15	N/A	N/A	N/A	N/A	N/A
<b>Fund Composite</b>	<b>4.43 %</b>	<b>-6.99 %</b>	<b>5.78 %</b>	<b>37.85 %</b>	<b>23.80 %</b>	<b>-4.03 %</b>	<b>28.02 %</b>	<b>30.04 %</b>
<i>Russell 2000 Value</i>	3.86	-7.47	4.22	34.52	18.05	-5.50	24.50	20.58

	1 Year	3 Years	5 Years	Since Inception to 4/30/16	Inception Date
<b>Bernzott</b>	-5.60 %	8.09 %	10.30	16.73 %	1/2/2009
<b>Channing</b>	-2.62	9.23	8.49	14.83	1/2/2009
<b>InView</b>	-5.32	6.40	7.22	13.65	1/2/2009
<b>Keeley</b>	-6.64	5.11	6.78	11.54	1/2/2009
<b>Walhausen</b>	-5.61	6.41	9.11	18.04	1/2/2009
<i>Russell 2000 Value</i>	-3.71	6.50	6.77	11.74	
<b>Pacific Ridge</b>	-2.13	N/A	N/A	6.57	12/1/2013
<i>Russell Microcap Value</i>	-5.11	N/A	N/A	-0.49	
<b>Fund Composite</b>	<b>-4.49 %</b>	<b>8.02 %</b>	<b>8.85</b>	<b>15.08 %</b>	1/2/2009
<i>Russell 2000 Value</i>	-3.71	6.50	6.77	11.74	

Fund Performance Inception Date: January 2, 2009. Returns for periods greater than one year are annualized. Sub adviser returns are gross of fees. The portfolio Custodian bank is Northern Trust. We recommend comparing our report with the account statement you receive from the underlying Custodian to verify the accuracy of our statement. Past performance is not indicative of future results.



## Stanislaus County Employees' Retirement Association

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### *Comparative Investment Performance – Overall Comments*

- The investment program began during the tail end of the severe contraction covering late 2007 through early 2009 that accompanied the financial crisis and economic recession. The market turned sharply upward starting in March 2009 but was dominated for the next year by lower price, lower quality stocks at the expense of more fundamentally strong companies. From early 2010 until towards the end of 2012, the market – while positive on balance – see-sawed between optimism and pessimism driven by views on the sustainability of the U.S. economic recovery, slowing growth in emerging markets, financial crises in European economies and challenging fiscal issues globally, with investors exhibiting a commensurately variable appetite for risk taking (“risk-on/risk-off”) as opinions shifted. Building confidence in the sustainability of the economic recovery and less attention on macro factors supported a strong market in 2013, and one that was more amenable to rewarding stock selection, but that “normalization” was not sustained. Since the start of 2014, the markets have again shifted between optimism and pessimism, seen spikes in volatility, favored defensiveness but at other time momentum and growth, experienced significant downturns/corrections (Aug/Sept 2015; January 2016) and produced a very challenging environment for active managers.
- Over the 7 1/3 years since inception (through April 2016), the Fund outperformed the benchmark by 334 basis points annualized. Stock selection accounted for over 80% of the value added and was favorable across most sectors. Key value added contributions came from stock selection in industrials, energy (plus an underweighting), technology, materials and financials (and an underweighting). Stock selection in consumer discretionary detracted but was more than offset by the positive impact of overweighting. From a risk model perspective, factor positioning was positive more recently due to favoring higher price/book and relative strength. Over time, tilts toward higher market capitalization (relative to the benchmark), lower dividend yield and lower price/book have been detractors of note.
- Since inception, the managers currently in the program have performed well with all but Keeley (who is essentially in line) well ahead of their benchmarks. We are pleased with this performance and expect value added from each of the managers over the longer term, but we anticipate there will be some periods of weak relative performance for individual managers as well as for the composite. We continue to have confidence in each of the managers in the investment program.





## Stanislaus County Employees' Retirement Association

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### **Bernzott Capital Advisors**

Kevin Bernzott

Style: Small Cap Value

Benchmark: Russell 2000 Value

Camarillo, CA

Majority-Owned

3/31/16 AUM: \$590MM

Bernzott focuses on identifying stable, sustainable long term returns through extensive evaluation of value metrics and company management. Initially, screens are applied targeting companies with consecutive ten year periods of accelerating earnings and/or dividend growth. Additional ratios are applied to develop a select list of companies with attractive value characteristics. Key to the process is extensive discussion with top management, which enables Bernzott to determine their opinion as to the true worth of the underlying business. Buy prices are carefully determined to minimize downside risk.

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### **Channing Capital Management**

Eric T. McKissack, Wendell E. Mackey

Style: Small Cap Value

Benchmark: Russell 2000 Value

Chicago, IL

African-American

3/31/16 AUM: \$2,251MM

Channing utilizes a fundamental, bottom up value approach that focuses on undervalued and neglected stocks (i.e., companies trading at a 40% or greater discount to their intrinsic value) that have improving returns and attractive growth opportunities. Screening disciplines focus on numerous variables, including cash flow multiples, earnings multiples, return on equity, return on capital and earnings growth rates. Companies of interest are high quality with strong management teams and have leading market positions or competitive advantages that will drive future earnings and cash flow growth but which are currently misunderstood and underfollowed by Wall Street. Extensive fundamental research conducted in-house is a hallmark of Channing's approach. Valuation disciplines focus on p/e and cash flow ratios and are examined relative to history, peers, growth rate, overall market and in light of the current stage in the business cycle.



## Stanislaus County Employees' Retirement Association

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### **InView Investment Management**

Glen Kleczka

Style: Small Cap Value

Benchmark: Russell 2000 Value

Chicago, IL

Majority-Owned

3/31/16 AUM: \$85MM

InView's investment process starts with the premise that equity prices systematically overreact to transitory psychology or events without regard to long term outlook or intrinsic value but do trend toward intrinsic value over time. Through quantitative screens they identify such companies displaying price/value disparities that are also good businesses with solid managements, favorable outlooks and improving financials. Fundamental research delves further into management's strength. Models are produced to develop InView's opinion as to intrinsic value and normalized earnings power, revealing the most attractive opportunities relative to current price.

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### **Keeley Asset Management**

Kevin Chin, Brian Keeley

Style: Small Cap Value

Benchmark: Russell 2000 Value

Chicago, IL

Majority-Owned

3/31/16 AUM: \$2,800MM

Investment strategy focuses primarily on companies involved in corporate restructurings (including spin-offs), as well as companies trading at or below perceived book value, companies emerging from bankruptcy and financial institution conversions. Stocks of companies in those categories traditionally have traded at discounts to inherent market value, and opportunities exist for a move to premium valuations as successful management of these typically focused businesses becomes evident in the marketplace. This is a heavily research-driven process, focusing on company-by-company analysis.



## Stanislaus County Employees' Retirement Association

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### **Pacific Ridge Capital Partners, LLC**

Dominic Marshall, Mark Cooper

Style: Micro Cap Value

Benchmark: Russell Microcap Value

Lake Oswego, OR

Majority-Owned

3/31/16 AUM: \$227MM

Pacific Ridge's micro cap value strategy is focused on the smallest and most inefficient segment of the U.S. equity market, consisting of a universe of 2,500 stocks in the \$25 to \$350 million market cap range. Ongoing quantitative screening includes common valuation metrics (with a focus on free cash flow and asset value), earnings estimate and revision data, profit margin trends, price/volume data, and others that attempt to quantify attractive attributes (such as low institutional ownership, low broker research coverage, high insider ownership, and insider buying activity). Non-quantitative means include management meetings at investor conferences and the firm's offices, broker research and contact with industry analysts. The process is a team process, whereby information and analysis on stocks is shared continually via initial formal analytical write-ups, ongoing maintenance updates, and a free-flow of information between the investment team members.

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### **Walhausen & Co. LLC**

John B. Walhausen

Style: Small Cap Value

Benchmark: Russell 2000 Value

Clifton Park, NY

Majority-Owned

3/31/16 AUM: \$1,149MM

Walhausen's investment approach emphasizes neglected stocks and value on an individual basis relative to the full universe of small cap stocks. The process begins with a scoring process using 12 specific criteria grouped into value, insider sentiment, street enthusiasm, financial strength and relative momentum categories. Top scoring stocks are subject to proprietary fundamental research that looks carefully at management's historical success in creating value for shareholders, in their ability to generate cash flow going forward and at their opportunities and strategies to enhance future value. Portfolio construction focuses on each holding's contribution to the overall risk profile.



C A P I T A L   P R O S P E C T S   L L C

# Capital Prospects

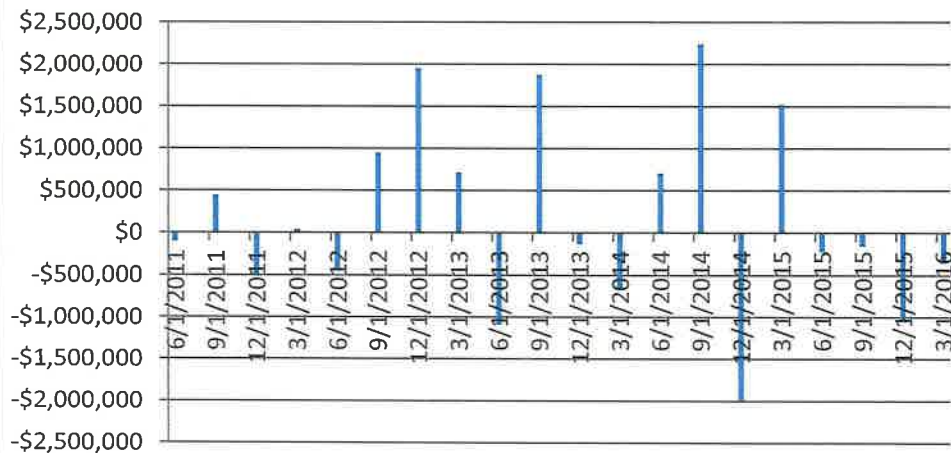
06/28/2016

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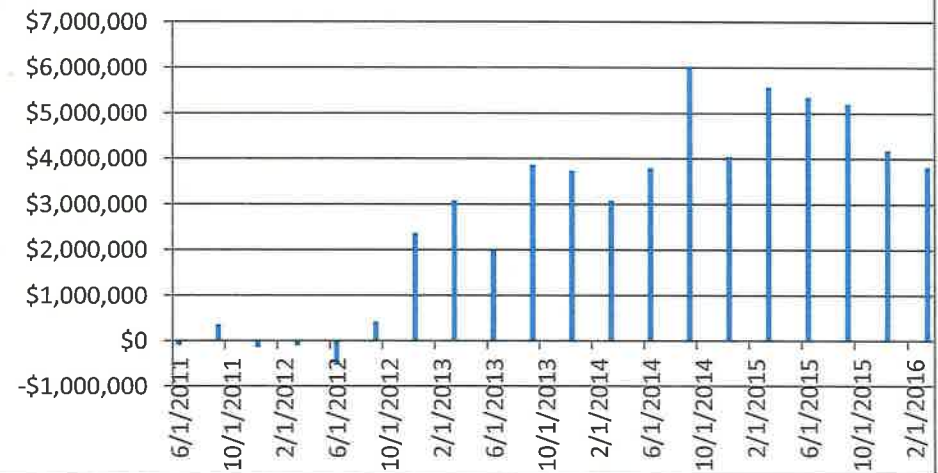


Quarter		Fees			
Begin Date	End Date	Active Return	Managerial	Custodial	Value Added
4/1/2011	6/30/2011	\$44,992	\$136,107	\$10,494	-\$101,609
7/1/2011	9/30/2011	\$557,229	\$105,623	\$5,628	\$445,978
10/1/2011	12/31/2011	-\$378,530	\$108,585	\$4,888	-\$492,003
1/1/2012	3/31/2012	\$163,761	\$119,481	\$5,222	\$39,057
4/1/2012	6/30/2012	-\$301,042	\$117,427	\$5,636	-\$424,106
7/1/2012	9/30/2012	\$1,072,679	\$122,499	\$5,054	\$945,126
10/1/2012	12/31/2012	\$2,086,673	\$131,297	\$5,086	\$1,950,290
1/1/2013	3/31/2013	\$868,837	\$147,222	\$7,282	\$714,334
4/1/2013	6/30/2013	-\$924,866	\$154,313	\$7,805	-\$1,086,983
7/1/2013	9/30/2013	\$2,047,762	\$165,329	\$9,476	\$1,872,957
10/1/2013	12/31/2013	\$56,814	\$174,451	\$13,162	-\$130,799
1/1/2014	3/31/2014	-\$461,309	\$177,806	\$10,791	-\$649,906
4/1/2014	6/30/2014	\$893,341	\$178,020	\$8,773	\$706,548
7/1/2014	9/30/2014	\$2,429,920	\$176,546	\$15,919	\$2,237,454
10/1/2014	12/31/2014	-\$1,790,045	\$182,558	\$9,815	-\$1,982,418
1/1/2015	3/31/2015	\$1,718,491	\$185,919	\$9,373	\$1,523,199
4/1/2015	6/30/2015	-\$30,625	\$178,228	\$13,897	-\$222,751
7/1/2015	9/30/2015	\$11,316	\$153,717	\$10,067	-\$152,468
10/1/2015	12/31/2015	-\$854,345	\$153,968	\$10,727	-\$1,019,041
1/1/2016	3/31/2016	-\$209,159	\$142,855	\$9,851	-\$361,866

## Quarterly Value Added



## Cumulative Value Added





# RAVEN

CAPITAL MANAGEMENT

06/28/16  
Item # 6.b.

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CERTAIN INFORMATION CONTAINED IN THE PRESENTATION CONSTITUTES “FORWARD-LOOKING STATEMENTS,” WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS “MAY,” “WILL,” “SHOULD,” “EXPECT,” “ANTICIPATE,” “TARGET,” “PROJECT,” “ESTIMATE,” “INTEND,” “CONTINUE” OR “BELIEVE,” OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. DUE TO VARIOUS RISKS AND UNCERTAINTIES, ACTUAL EVENTS OR RESULTS OR THE ACTUAL PERFORMANCE OF THE FUND MAY DIFFER MATERIALLY FROM THOSE REFLECTED OR CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS.

**AN INVESTMENT IN THE FUND WILL BE SPECULATIVE AND IS EXPECTED TO INVOLVE A HIGH DEGREE OF RISK. THERE IS NO GUARANTEE THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVES AND AN INVESTOR COULD LOSE SOME OR ALL AMOUNTS INVESTED. AN INVESTMENT IN THE FUND WILL ALSO BE ILLIQUID AND NO SECONDARY MARKET FOR INTERESTS IN THE FUND ARE EXPECTED TO DEVELOP. THE FUND MAY ALSO UTILIZE INVESTMENT TECHNIQUES, SUCH AS THE USE OF LEVERAGE, THAT CAN INCREASE THE VOLATILITY OF THE FUND’S PERFORMANCE AND THE RISK OF INVESTMENT LOSSES. ADDITIONALLY, ADVISORY FEES TO BE PAID TO THE INVESTMENT MANAGER AND/OR ITS AFFILIATES , WHICH COULD BE SUBSTANTIAL, WILL REDUCE THE PERFORMANCE OF THE FUND.**

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# Firm Overview

- Raven Capital Management is a Registered Investment Advisor (“RIA”) and an alternative investment manager specializing in the primary origination, underwriting, and management of direct asset-based investments
- Overview of Management Company
  - Growth of Investment Management personnel
  - Operations team
  - Administrative and Service Provider continuity and updates
- Firm Investment Activity and Fund AUM Overviews
  - AUM and LP Base
  - Deal Flow and Pipeline Update
  - Direct Lending Market Overview
  - Recent Activity
  - Shipping Investments and Industry Overview
  - Credit Fund





# Fund I and Fund III Overview

## Fund I Update

- Capital Committed
- Capital Deployed
- NAV(s)
- Overview and Highlights

## Fund III Allocation / Terms

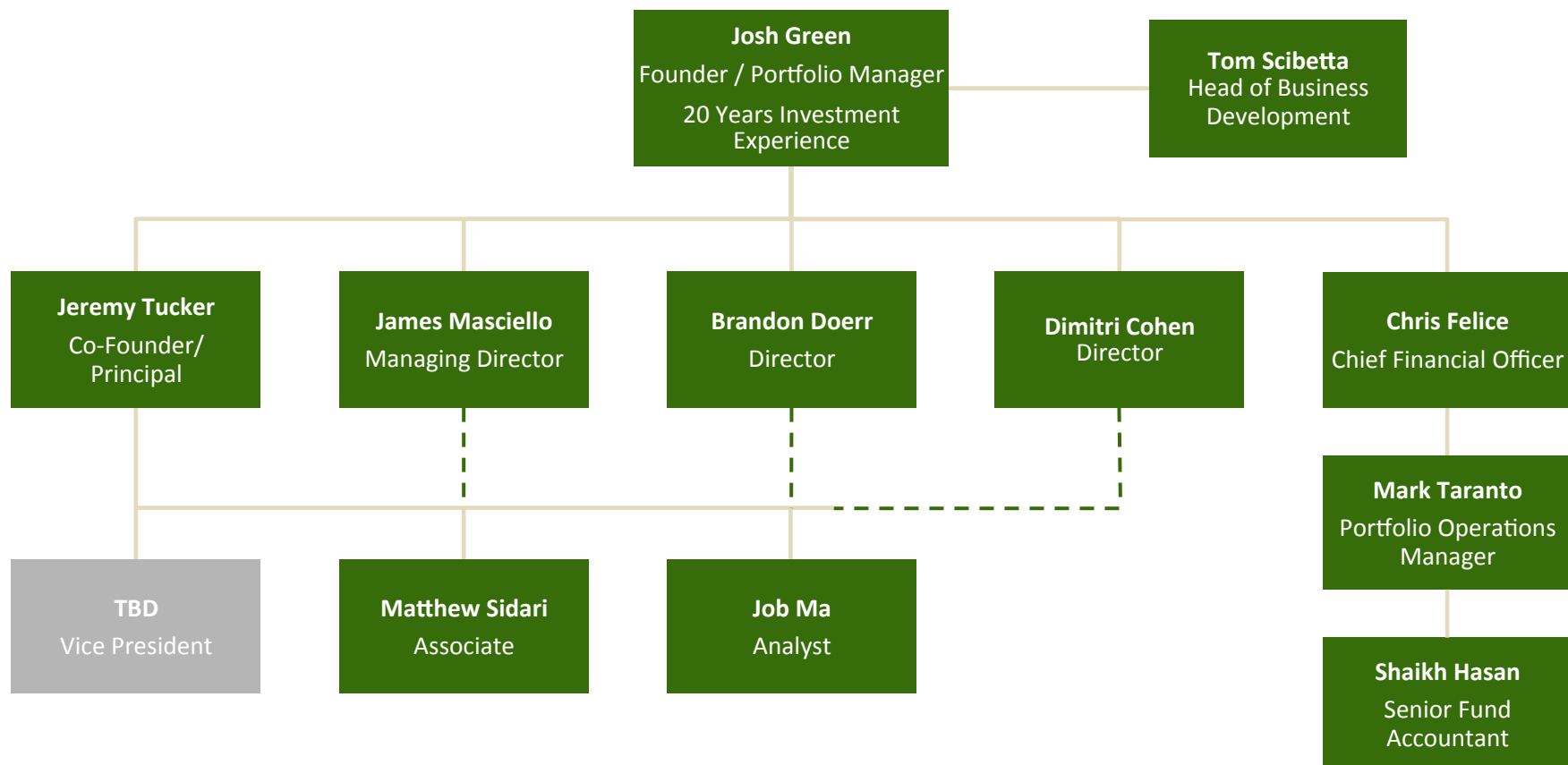
- Target Investments from \$5-35 million
- Target Returns: 14% - 18% Gross IRRs
- Expected Investments of \$400 - \$450 million
- ~60% invested in direct first lien senior-secured loan opportunities
- ~40% invested in opportunistic acquisitions of certain cash-flowing assets
- Three (3) year investment period (with recycling)

## Fund III Update

- **Total Committed:** \$330mm
- **Hard Circles:** \$20 million
- **Hard Cap:** \$350mm



# Investment Team

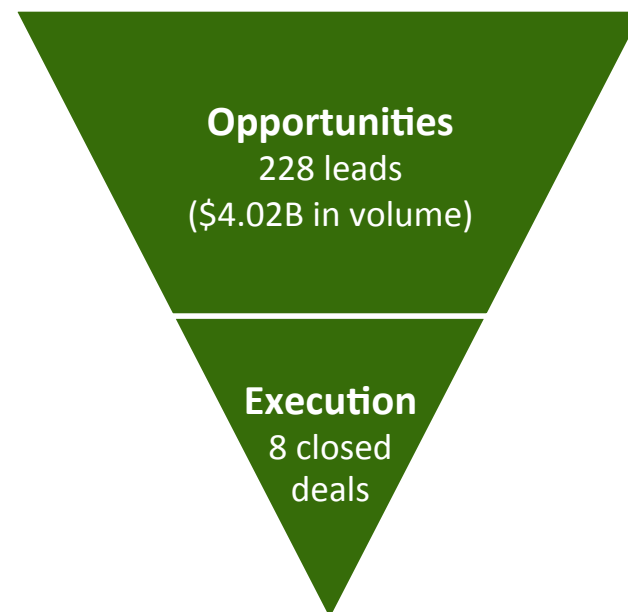


## Source Proprietary Opportunities

**Raven capitalizes on its extensive relationships to access investment opportunities**

- Deal flow comes from:
  - Former clients
  - Previous co-investors
  - Key contacts in investment banking, hedge funds, legal counsel, CPAs, and third-party advisors
  - Avoid private equity sponsors or brokers

***Fund III: Since July 1, 2015***

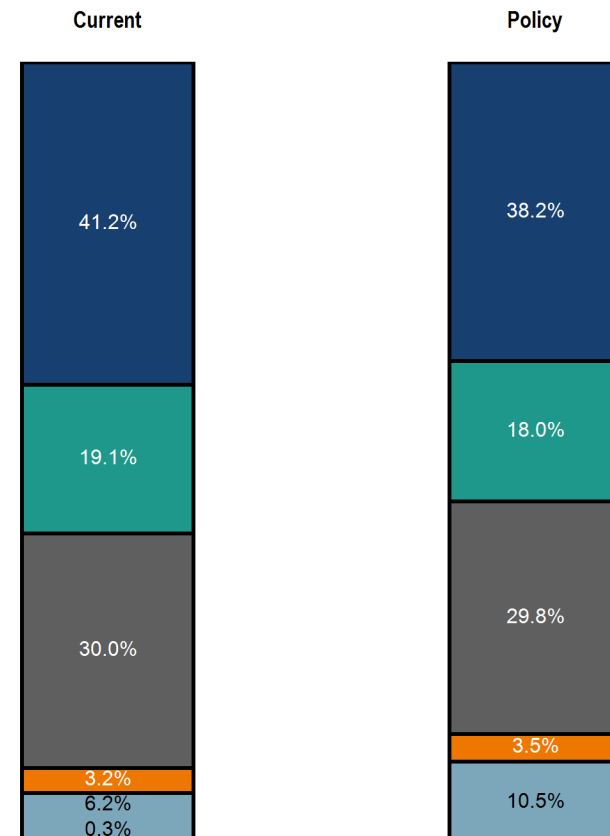


# Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: May 31, 2016

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,766,684,209</b>	<b>100.0</b>	<b>0.8</b>	<b>1.7</b>
<i>Policy Index</i>			0.6	3.2
<b>US Equity</b>	<b>727,804,643</b>	<b>41.2</b>	<b>2.3</b>	<b>1.5</b>
<i>US Equity Blended</i>			1.9	3.3
<i>Russell 3000</i>			1.8	3.4
Mellon S&P 500	86,199,349	4.9	1.8	3.6
<i>S&amp;P 500</i>			1.8	3.6
BlackRock Russell 1000 Growth	85,552,443	4.8	2.0	1.8
<i>Russell 1000 Growth</i>			1.9	1.8
Jackson Square	125,189,926	7.1	3.9	-4.4
<i>Russell 1000 Growth</i>			1.9	1.8
BlackRock Russell 1000 Value	100,749,932	5.7	1.6	5.4
<i>Russell 1000 Value</i>			1.6	5.4
Dodge & Cox-Equity	167,353,335	9.5	2.2	3.6
<i>Russell 1000 Value</i>			1.6	5.4
Legato Capital	78,776,461	4.5	2.7	-4.8
<i>Russell 2000 Growth</i>			2.7	-1.1
Capital Prospects	83,983,196	4.8	1.4	5.3
<i>Russell 2000 Value</i>			1.8	5.8
<b>International Equity</b>	<b>337,714,071</b>	<b>19.1</b>	<b>-0.9</b>	<b>0.6</b>
<i>MSCI ACWI ex USA Gross</i>			-1.6	0.8
LSV Asset Mgt	166,108,389	9.4	-1.7	0.9
<i>MSCI ACWI ex USA Gross</i>			-1.6	0.8
Pyramis	171,605,682	9.7	-0.1	0.4
<i>MSCI ACWI ex USA Gross</i>			-1.6	0.8
<b>US Fixed Income</b>	<b>530,372,501</b>	<b>30.0</b>	<b>0.0</b>	<b>3.6</b>
<i>Barclays Aggregate</i>			0.0	3.5
Dodge & Cox-Fixed	415,951,473	23.5	0.0	3.6
<i>Barclays Aggregate</i>			0.0	3.5
PIMCO	114,421,028	6.5	0.0	3.4
<i>Barclays Aggregate</i>			0.0	3.5

	Current	%	Policy	%
Domestic Equity	\$727,804,643	41.2%	\$674,873,368	38.2%
International Equity	\$337,714,071	19.1%	\$318,003,158	18.0%
Domestic Fixed Income	\$530,372,501	30.0%	\$526,471,894	29.8%
Real Estate	\$56,498,225	3.2%	\$61,833,947	3.5%
Alternatives	\$108,969,548	6.2%	\$185,501,842	10.5%
Cash and Equivalents	\$5,325,221	0.3%	--	--
<b>Total</b>	<b>\$1,766,684,209</b>	<b>100.0%</b>	<b>\$1,766,684,209</b>	<b>100.0%</b>



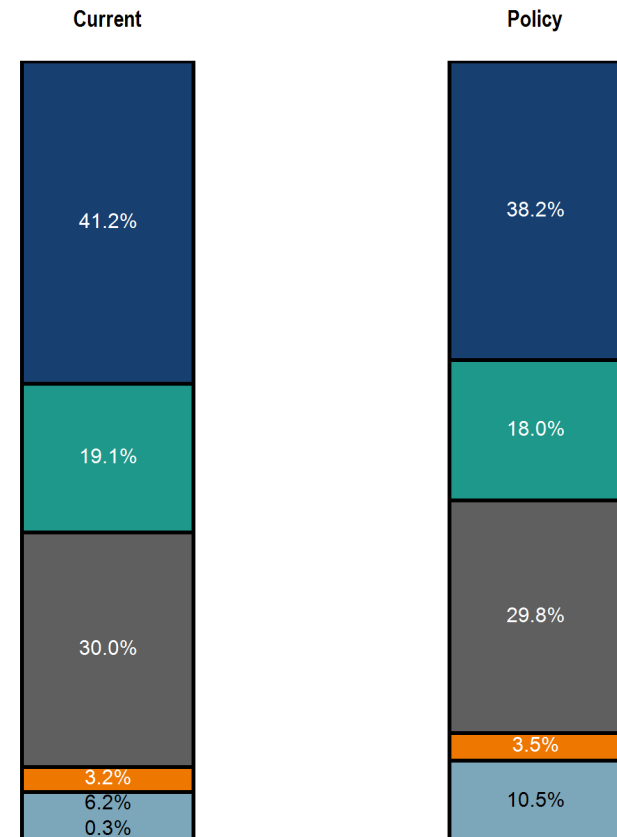
Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. All data is preliminary.

# Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: May 31, 2016

	Market Value	% of Portfolio	1 Mo	YTD
<b>Real Estate</b>	<b>56,498,225</b>	<b>3.2</b>	<b>0.8</b>	<b>1.6</b>
DJ US Select RESI			2.0	4.1
Prime Property Fund	15,754,509	0.9	0.0	1.9
NCREIF-ODCE			0.0	2.2
American Strategic Value Realty	7,208,080	0.4	0.0	3.2
NCREIF Property Index			0.0	2.2
BlackRock US Real Estate	23,317,966	1.3	2.0	4.0
DJ US Select RESI TR USD			2.0	4.1
Greenfield Gap	10,217,671	0.6		
<b>Direct Lending</b>	<b>102,119,640</b>	<b>5.8</b>		
Medley Capital	27,805,725	1.6		
Raven Capital	25,900,016	1.5		
Raven Opportunity III	8,468,338	0.5		
White Oak Pinnacle	39,945,561	2.3		
<b>Infrastructure</b>	<b>6,849,908</b>	<b>0.4</b>		
MS Infrastructure Partners II	6,849,908	0.4		
Cash Account	5,325,221	0.3	0.0	0.3

	Current	%	Policy	%
Domestic Equity	\$727,804,643	41.2%	\$674,873,368	38.2%
International Equity	\$337,714,071	19.1%	\$318,003,158	18.0%
Domestic Fixed Income	\$530,372,501	30.0%	\$526,471,894	29.8%
Real Estate	\$56,498,225	3.2%	\$61,833,947	3.5%
Alternatives	\$108,969,548	6.2%	\$185,501,842	10.5%
Cash and Equivalents	\$5,325,221	0.3%	--	--
<b>Total</b>	<b>\$1,766,684,209</b>	<b>100.0%</b>	<b>\$1,766,684,209</b>	<b>100.0%</b>



Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. All data is preliminary.

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# **PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS**



Item 8.b

**JUNE 28, 2016**

Project Plan: Asset Allocation Implementation

**Stanislaus County Employees' Retirement Association**

# Executive Summary

- At the May 2016 Board Meeting, the Board selected the “FFP 6-yr” asset allocation and methodology. This presentation provides a high-level project plan to implement FFP 6-yr.
- Implementing FFP 6-yr requires more than simply re-balancing the Plan. Additional considerations include:
  - Staffing. Given the additional complexities, which include incremental investment in private credit, a new private equity allocation, and the on-going maintenance of the FFP liquidity portfolio among others, additional staff may be required.
  - Policies. Both investment and procurement policies must be reviewed and potentially updated to include the new asset allocation and may also be edited for best-practices and appropriate assignment of responsibilities & accountabilities.
  - Processes. Various processes may be re-examined to determine best execution and appropriate oversight.
  - Investment strategy selection. FFP 6-yr requires new investment strategies and additional decisions to be made by the Board



# Executive Summary (continued)

- The Board has limited time and resources with which to oversee this process. The following project plan, therefore, attempts to manage this process over the course of the next year to fully implement FFP 6-yr with appropriate consideration given to each issue or topic.
- This project plan is subject to change. Numerous interdependencies exist across the deliverables, as reflected in the Gantt chart on page 5, and the Board will naturally have additional topics to which it must devote its attention.

# Deliverables by Board Meeting

Meeting Deliverables	Notes
<b>2016</b>	
Jun This project plan	
Jul Set strategy targets	
Aug	Quarterly performance
Sep Revised investment and procurement policies	
Oct Searches for US Treasury, Risk Parity mandates	
Nov Finalists for US Treasury, Risk Parity mandates; Search for Liquidity mandate	Quarterly performance
Dec Finalists for Liquidity mandate	
<b>2017</b>	
Jan Search for Private Credit mandate	
Feb Finalists for Private Credit; Searches for Value-add Real Estate and Private Equity; Re-balance plan for liquid assets	Quarterly performance
Mar Finalists for Value-add Real Estate and Private Equity	
Apr Funding plan for illiquid strategies	
May	Quarterly performance
Jun Review of implementation	

# Detailed project plan

