



# 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

**August 23, 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 July 26, 2016 Meeting Minutes [View](#)
  - b. Monthly Staff Report [View](#)
  - c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
    1. Cordero, Kathie – HSA – Effective 08-01-16
    2. Corey, Jennifer – Sheriff – Effective 08-02-16 \*
    3. Dhingra, Harish – Courts – Effective 07-30-16
    4. Hamiel, Aloise – HSA – Effective 08-08-16
    5. LaSage, Francis – Assessor – Effective 08-18-16
    6. Murillo, Frank – Probation – Effective 07-09-16 \*
    7. Rivera, Bertha – CSA – Effective 08-20-16
    8. Schlaepfer, Madelyn – BHRS – Effective 08-03-16
    9. Silva, Julie – Sheriff – Effective 08-22-16
    10. Wagner, Charles – PW – Effective 07-01-16
    11. Fenn III, Frank - Sheriff - Effective 05-02-15 \*

*\* Indicates Safety Personnel*

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

1. Getrich, Samuel – DA – Effective 07-09-2016
2. Matich, Coral – HSA – Effective 07-16-16
3. Vieira, Debbie – BHRS – Effective 09-22-13

\* Indicates Safety Personnel

6. Investment Manager Annual Presentation

- a. Medley [View](#)

7. Executive Director – Investment

- a. 2016 Quarter 2 Auxiliary Investment Report [View](#)

8. Verus – Investment Consultant

- a. July 31, 2016 Flash Report [View](#)
- b. Investment Performance Quarter 2 Review [View](#)
- c. Discussion and Action Regarding Private Assets Reporting Methodology [View](#)

9. Executive Director - Administrative

- a. Discussion and Action to Attend 2016 Public Funds Forum [View](#)

10. Committee Reports and Recommendations for Action

- a. Internal Governance Committee
  1. Annual Financial Audit – Brown Armstrong, CPA's Entrance Conference Update. [View](#)

11. 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)
- c. Recommendation for Non-Service Connected Disability Retirement for Jeannette Apolinar –  
Section 31533
- d. Independent Contractor Negotiation - Government Code Section 54957

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

13. Adjournment



## BOARD OF RETIREMENT MINUTES

July 26, 2016

**Trustees Present:** Jim DeMartini, Michael O'Neal, Jeff Grover, Donna Riley, Mandip Dhillon, Sam Sharpe, Darin Gharat and Gordon Ford

**Trustees Absent:** Mike Lynch  
**Absent Alternate Trustee** Joan Clendenin, Alternate Retiree Representative

**Staff Present:** Rick Santos, Executive Director  
Kellie Gomes, Executive Board Assistant

**Others Present:** Matt Pacher, General Legal Counsel  
Ed Hoffman, Investment Consultant

1. Meeting Called to Order

Meeting called to order 1:31 p.m. by Trustee Riley, Chair

2. Roll Call

3. Announcements

4. Public Comment

None

5. Consent Items

- a. Approval of the June 28, 2016 Meeting Minutes
- b. Monthly Staff Report
- c. StanCERA Quarter 2 2016 Complaint Log
- d. Executive Director Goals Update Quarter 2 2016
- e. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

- 1. Bailey, Michelle – Courts – Effective 07-13-16
- 2. Bork, Virginia – Alliance Worknet – Effective 07-22-16
- 3. Cannella, Sal – Ceres– Effective 07-15-16
- 4. Clayton, Leslie – HSA– Effective 07-06-16
- 5. Ellis, Linda – HSA – Effective 07-01-16
- 6. Loff, Roger – BHRS – Effective 07-23-16
- 7. Osnaya, Elisa – Courts – Effective 07-30-16
- 8. Parrish, Claudia – Ag Comm – Effective 07-17-16
- 9. Sendejas, Reuben – DER – Effective 04-04-16

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

10. Thrasher, Eugenia – CSA – Effective 07-09-16
11. Vargas, Abel – CEO – Effective 07-08-16
12. Vincent, Franklyn – BHRS – Effective 07-12-16
13. Wirowek, Patricia – Probation – Effective 06-15-16

*\* Indicates Safety Personnel*

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

1. Afanasieva, Anastasia – Courts – Effective 06-07-2016
2. Galvan, Linda – Probation – Effective 05-16-2016 \*
3. Popal, Sunita – DA – Effective 05-20-2016

*\* Indicates Safety Personnel*

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

1. Parra Jr., Arthur - Deputy Sheriff, Service-Connected, Effective 02-16-15\*

*\* Indicates Safety Personnel*

h. Approval of Death Benefit - Option Pursuant to Government Code **Sections 31781, 31781.1 or 31781.3.**

1. Atchinson, Russell Scott Deceased June 23, 2016, Active Member, Service Connected Death

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

Motion carried unanimously

6. Investment Manager Annual Presentation

a. Fidelity (formerly known as Pyramis) Presentation

I. Value Added Report

Chris Steward and Kristin Shofner gave their annual presentation of StanCERA's International Growth Equity investment performance. The presentation was held via teleconference. Please see the report provided in the agenda for investment details.

7. Executive Director – Investment

a. 2016 Due Diligence Trip Summary

Kellie Gomes gave a summary of the 2016 Due Diligence Trip to Investment Managers PIMCO and LSV and StanCERA's custody bank Northern Trust. Trustee O'Neal and Trustee Grover gave highlights of the visit and expressed the continued need for these types of visits.



8. Verus – Investment Consultant

a. June 30, 2016 Flash Report

Fund Total as of June 30., 2016	\$1,757,220,216.
Portfolio Return:	-0.5%
U.S. Equity:	-1.2%
International Equity:	-2.7%
Fixed Income:	1.6%
Real Estate:	3.3%

2:31p.m. Trustee Sharpe left

b. Discussion and Action Regarding Asset Allocation Implementation Strategy Targets

Ed Hoffman discussed material provided in the agenda packet. Please see item for details.

9. Executive Director - Administrative

a. Information Technology Solutions (ITS) Project Update

Kathy Herman gave an update on the ITS project and announced the best and final offer would be due on August 12, 2016 and the final decisions would be made at the next Board meeting on August 23, 2016

b. Discussion and Action Regarding Creation of a StanCERA Investment Committee

No action was taken to create an Investment Committee at this time.

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:  
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LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152  
Government Code Section 54956.9(d)(4)

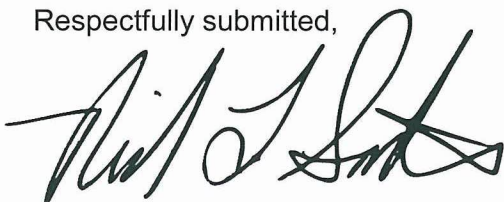
No closed session

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

12. Adjournment

Meeting adjourned at 2:57 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:  
Matt Pacher, GENERAL LEGAL COUNSEL

By:   
Matt Pacher, General Legal Counsel



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**August 23, 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:

- a) *Fiscal Services – Employer and employee contributions totaling \$6,496,565.46 were received through 13 different payroll batches. In addition, 9 contribution refunds and 4 death benefits were processed. Accounting staff continues to prepare for the arrival of the auditors. . The July payroll of \$9,304,552.13 was processed on time.*

*The staff coordinated and continued oversight of contracted work for the buildout of the vacant space on the 6th floor*

- b) *Member & Employer Services – During the month of July 2016, Member and Employer Services Staff processed 45 new hires (16 Safety and 29 General), 18 estimates, 11 buy backs and 38 terminations. There were 16 individual counseling sessions.*

One retirement information session was tailored for and presented to Behavioral Health and Recovery Services.

Staff continues to audit member files in anticipation of the data conversion that will be required with the implementation of a new pension administration system.

The Information Technology Committee and staff made due diligence visits to San Bernardino CERA, Orange CERS and Fresno CERA to view the systems offered by each of the three finalists.

- c) *Investment Governance and Compliance – Staff has begun analyses regarding the addition of an in-house investment technician and the creation of a theoretical benchmark that will be used for the FFP process.*

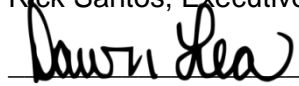
VI. RISK: None

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

  
Dawn Lea, Member and Employer Services Manager



**August 23, 2016**

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: 2016 Quarter 2 Auxiliary Investment Report
- II. ITEM NUMBER: 7.a.
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS:

#### *Investment Fee Summary (Quarter 1)*

The investment fee summary is presented on a quarter 1 basis, since alternative fee reporting lags the rest of the portfolio by 1 quarter. Fees in this report include managerial, custodial and consulting.

During quarter 1, StanCERA paid approximately 61 basis points in fees to manage the portfolio. This is on the high side compared to other 1937 Act Systems, due mainly to the inclusion of the Raven III and North Haven funds. These funds are being included into the reporting structure for the first time and include fees pertaining to fund initiation. Absent these new funds, StanCERA's fees by basis points drops to 44.9.

Alternatives continue to be the biggest draw against the portfolio while the rest of the asset classes appear to be lean and well in line with expectations.

#### *Value Added Summary*

Over the past fiscal year and quarter, StanCERA's active managers lost \$39.9 million and \$8.5 million respectively, to the passive investment. Only Fidelity (formerly Pyramis) added value over these measuring periods. Jackson Square accounted for approximately 36% (\$14.4 million) of the total value lost. Domestic equities was the most challenged asset class.

#### *Alternative Investment Report*

The alternative investment report gives information related to distributions, expenses, capital calls, absolute cash flows and internal rates of returns (IRR) for StanCERA's alternatives portfolio. For those seasoned investments, White Oak and Medley have now delivered results approaching 10% (IRR) and as such, StanCERA has begun paying the incentive allocation associated with the terms of the respective contracts.

#### *Cash Flow Report*

These reports are self-explanatory.

- 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

A handwritten signature in black ink, appearing to read "Rick Santos", written over a horizontal line.

Rick Santos, Executive Director

A handwritten signature in black ink, appearing to read "Kathy Herman", written over a horizontal line.

Kathy Herman, Fiscal Services Manager

## Investment Fee Summary

	1/1/2016	through	3/31/2016				
	Fees in Dollars			Fees in Annualized Basis Points			
	<u>Average Assets Under Management</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Total</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Total</u>
<b>Total Portfolio</b>	<b>\$1,705,728,554</b>	<b>\$2,509,316</b>	<b>\$84,767</b>	<b>\$2,594,083</b>	<b>58.8</b>	<b>2.0</b>	<b>60.8</b>
<b>Domestic Equities</b>	<b>\$782,848,493</b>	<b>\$575,582</b>	<b>\$36,738</b>	<b>\$612,320</b>	<b>29.4</b>	<b>1.9</b>	<b>31.3</b>
<b>Large Cap Value</b>	<b>\$287,275,125</b>	<b>\$88,863</b>	<b>\$3,648</b>	<b>\$92,511</b>	<b>12.4</b>	<b>0.5</b>	<b>12.9</b>
Dodge & Cox Equity	\$170,128,313	\$83,049	\$3,108	\$86,158	19.5	0.7	20.3
Blackrock Value Index Fund	\$117,146,812	\$5,814	\$540	\$6,354	2.0	0.2	2.2
<b>Large Cap Growth</b>	<b>\$270,549,428</b>	<b>\$195,126</b>	<b>\$3,864</b>	<b>\$198,990</b>	<b>28.8</b>	<b>0.6</b>	<b>29.4</b>
Jackson Square	\$160,217,238	\$189,658	\$3,324	\$192,983	47.4	0.8	48.2
Blackrock Growth Index Fund	\$110,332,190	\$5,467	\$540	\$6,007	2.0	0.2	2.2
<b>Small Cap Value</b>	<b>\$77,027,321</b>	<b>\$142,855</b>	<b>\$9,851</b>	<b>\$152,706</b>	<b>74.2</b>	<b>5.1</b>	<b>79.3</b>
Capital Prospects	\$77,027,321	\$142,855	\$9,851	\$152,706	74.2	5.1	79.3
<b>Small Cap Growth</b>	<b>\$76,051,369</b>	<b>\$142,251</b>	<b>\$18,826</b>	<b>\$161,078</b>	<b>74.8</b>	<b>9.9</b>	<b>84.7</b>
Legato Capital	\$76,051,369	\$142,251	\$18,826	\$161,078	74.8	9.9	84.7
<b>Core</b>	<b>\$71,945,249</b>	<b>\$6,486</b>	<b>\$548</b>	<b>\$7,034</b>	<b>3.6</b>	<b>0.3</b>	<b>3.9</b>
BNYM S&P Index Fund	\$71,945,249	\$6,486	\$548	\$7,034	3.6	0.3	3.9
<b>International Equities</b>	<b>\$311,521,060</b>	<b>\$231,231</b>	<b>\$36,025</b>	<b>\$267,256</b>	<b>29.7</b>	<b>4.6</b>	<b>34.3</b>
LSV Asset Management	\$153,029,434	\$98,406	\$21,634	\$120,040	25.7	5.7	31.4
Pyramis Global	\$158,491,626	\$132,825	\$14,392	\$147,216	33.5	3.6	37.2
<b>Fixed Income</b>	<b>\$468,425,711</b>	<b>\$192,983</b>	<b>\$7,703</b>	<b>\$200,686</b>	<b>16.5</b>	<b>0.7</b>	<b>17.1</b>
Dodge & Cox Fixed Income	\$356,051,808	\$98,291	\$4,980	\$103,271	11.0	0.6	11.6
PIMCO	\$112,373,903	\$94,692	\$2,723	\$97,415	33.7	1.0	34.7
<b>Real Estate</b>	<b>\$37,164,025</b>	<b>\$148,003</b>	<b>\$2,134</b>	<b>\$150,137</b>	<b>159.3</b>	<b>2.3</b>	<b>161.6</b>
Blackrock US Real Estate Index	\$3,292,721	\$738	\$540	\$1,278	9.0	6.6	15.5
Greenfield GAP Real Estate	\$9,480,321	\$56,250	\$531	\$56,781	237.3	2.2	239.6
American Realty	\$8,927,661	\$43,929	\$531	\$44,460	196.8	2.4	199.2
Prime Property Fund	\$15,463,323	\$47,086	\$531	\$47,617	121.8	1.4	123.2
<b>Direct Lending</b>	<b>\$105,769,265</b>	<b>\$1,292,769</b>	<b>\$2,168</b>	<b>\$1,294,937</b>	<b>488.9</b>	<b>0.8</b>	<b>489.7</b>
Medley Capital	\$31,207,899	\$113,703	\$531	\$114,234	145.7	0.7	146.4
Raven Capital	\$26,818,672	\$194,874	\$531	\$195,405	290.7	0.8	291.4
White Oak Pinnacle	\$41,373,805	\$298,357	\$548	\$298,906	288.5	0.5	289.0
Raven Capital Fund III	\$6,368,889	\$685,835	\$557	\$686,392	4307.4	3.5	4310.9
<b>Infrastructure</b>	<b>\$8,678,928</b>	<b>\$63,338</b>	<b>\$540</b>	<b>\$63,878</b>	<b>291.9</b>	<b>2.5</b>	<b>294.4</b>
North Haven (Morgan Stanley)	\$8,678,928	\$63,338	\$540	\$63,878	291.9	2.5	294.4
<b>Investment Consultant</b>	<b>\$1,705,728,554</b>	<b>\$68,748</b>	<b>\$0</b>	<b>\$68,748</b>	<b>-</b>	<b>-</b>	<b>1.6</b>

Alternative Managerial Fees may include other fees such as audit, legal, tax preparation, administrative, marketing and initial fund costs including true-ups  
 Periodic reporting includes only funds or managers that were a part of the entire reporting period





### StanCERA Non Alternative Portfolio - Value Added Summary

	7/1/2015		through		6/30/2016					
	Average		Changes in Portfolio Value				Value Added			
	Beginning Value	Uninvested Cash	Invested Assets	Net Cash Flows	Passive Return	Active Return	Ending Value	Total Fees	Value Added	% of Portfolio
<b>Total Non-Alternative Portfolio</b>	<b>\$1,681,325,176</b>	<b>\$26,795,240</b>	<b>\$1,654,529,936</b>	<b>-\$53,283,863</b>	<b>\$788,489</b>	<b>-\$35,094,277</b>	<b>\$1,593,735,526</b>	<b>\$5,044,878</b>	<b>-\$39,924,656</b>	<b>-2.44%</b>
<b>Domestic Equities</b>	<b>\$840,256,306</b>	<b>\$12,547,648</b>	<b>\$827,708,658</b>	<b>-\$98,243,471</b>	<b>\$6,863,192</b>	<b>-\$29,651,276</b>	<b>\$719,224,751</b>	<b>\$2,497,712</b>	<b>-\$32,148,988</b>	<b>-4.12%</b>
<b>Large Cap Value</b>	<b>\$309,970,724</b>	<b>\$5,910,891</b>	<b>\$304,059,833</b>	<b>-\$41,039,069</b>	<b>\$8,282,890</b>	<b>-\$12,415,539</b>	<b>\$264,799,006</b>	<b>\$364,953</b>	<b>-\$12,780,492</b>	<b>-4.45%</b>
Dodge & Cox Equity	\$186,333,892	\$5,910,891	\$180,423,000	-\$15,744,294	\$5,105,870	-\$12,506,504	\$163,188,963	\$339,964	-\$12,846,467	-7.35%
Blackrock Value Index Fund	\$123,636,832	\$0	\$123,636,832	-\$25,294,775	\$3,177,020	\$90,965	\$101,610,043	\$24,990	\$65,975	0.06%
<b>Large Cap Growth</b>	<b>\$278,287,827</b>	<b>\$2,377,111</b>	<b>\$275,910,716</b>	<b>-\$65,719,345</b>	<b>\$7,426,820</b>	<b>-\$13,577,048</b>	<b>\$206,418,254</b>	<b>\$772,941</b>	<b>-\$14,349,989</b>	<b>-5.92%</b>
Jackson Square	\$166,822,111	\$2,377,111	\$164,444,999	-\$36,471,983	\$4,495,942	-\$13,645,016	\$121,201,054	\$749,853	-\$14,394,869	-10.00%
Blackrock Growth Index Fund	\$111,465,717	\$0	\$111,465,717	-\$29,247,362	\$2,930,878	\$67,968	\$85,217,200	\$23,088	\$44,880	0.05%
<b>Small Cap Value</b>	<b>\$87,908,167</b>	<b>\$2,957,773</b>	<b>\$84,950,394</b>	<b>-\$662,856</b>	<b>-\$2,261,071</b>	<b>-\$1,920,009</b>	<b>\$83,064,231</b>	<b>\$647,187</b>	<b>-\$2,567,197</b>	<b>-3.00%</b>
Capital Prospects	\$87,908,167	\$2,957,773	\$84,950,394	-\$662,856	-\$2,261,071	-\$1,920,009	\$83,064,231	\$647,187	-\$2,567,197	-3.00%
<b>Small Cap Growth</b>	<b>\$90,670,423</b>	<b>\$1,301,872</b>	<b>\$89,368,551</b>	<b>-\$671,386</b>	<b>-\$9,711,497</b>	<b>-\$1,773,636</b>	<b>\$78,513,905</b>	<b>\$683,977</b>	<b>-\$2,457,613</b>	<b>-2.91%</b>
Legato Capital	\$90,670,423	\$1,301,872	\$89,368,551	-\$671,386	-\$9,711,497	-\$1,773,636	\$78,513,905	\$683,977	-\$2,457,613	-2.91%
<b>Core</b>	<b>\$73,419,164</b>	<b>\$0</b>	<b>\$73,419,164</b>	<b>\$9,849,184</b>	<b>\$3,126,050</b>	<b>\$34,956</b>	<b>\$86,429,354</b>	<b>\$28,654</b>	<b>\$6,302</b>	<b>0.01%</b>
BNYM S&P Index Fund	\$73,419,164	\$0	\$73,419,164	\$9,849,184	\$3,126,050	\$34,956	\$86,429,354	\$28,654	\$6,302	0.01%
<b>International Equities</b>	<b>\$356,174,034</b>	<b>\$3,015,202</b>	<b>\$353,158,832</b>	<b>\$19,801,148</b>	<b>-\$35,918,328</b>	<b>-\$998,227</b>	<b>\$339,058,626</b>	<b>\$1,518,105</b>	<b>-\$2,516,332</b>	<b>-0.72%</b>
LSV Asset Management	\$177,511,065	\$911,407	\$176,599,658	\$10,315,534	-\$17,923,560	-\$4,317,052	\$165,585,986	\$476,314	-\$4,793,366	-2.79%
Pyramis Global	\$178,662,968	\$2,103,795	\$176,559,174	\$9,485,614	-\$17,994,768	\$3,318,825	\$173,472,640	\$1,041,791	\$2,277,034	1.29%
<b>Fixed Income</b>	<b>\$484,894,837</b>	<b>\$11,232,391</b>	<b>\$473,662,446</b>	<b>\$25,158,460</b>	<b>\$29,843,625</b>	<b>-\$4,444,774</b>	<b>\$535,452,149</b>	<b>\$814,562</b>	<b>-\$5,259,335</b>	<b>-1.03%</b>
Dodge & Cox Fixed Income	\$374,620,624	\$10,673,111	\$363,947,512	\$25,534,443	\$23,236,920	-\$4,184,521	\$419,207,466	\$427,426	-\$4,611,948	-1.16%
PIMCO	\$110,274,213	\$559,280	\$109,714,934	-\$375,983	\$6,606,705	-\$260,252	\$116,244,683	\$387,135	-\$647,387	-0.57%

Net cash flows include the net effects of StanCERA directed cash flows, dividends and managers moving internal cash into and out of the investment pool

Passive return assumes all portfolio assets are fully invested



### StanCERA Non Alternative Portfolio - Value Added Summary

	4/1/2016		through		6/30/2016					
	Average		Changes in Portfolio Value				Value Added			
	<u>Beginning Value</u>	<u>Uninvested Cash</u>	<u>Invested Assets</u>	<u>Net Cash Flows</u>	<u>Passive Return</u>	<u>Active Return</u>	<u>Ending Value</u>	<u>Total Fees</u>	<u>Value Added</u>	<u>% of Portfolio</u>
<b>Total Non-Alternative Portfolio</b>	<b>\$1,593,810,118</b>	<b>\$27,427,740</b>	<b>\$1,566,382,378</b>	<b>-\$24,397,145</b>	<b>\$31,731,650</b>	<b>-\$7,409,097</b>	<b>\$1,593,735,526</b>	<b>\$1,333,951</b>	<b>-\$8,528,549</b>	<b>-0.54%</b>
<b>Domestic Equities</b>	<b>\$800,412,319</b>	<b>\$10,462,909</b>	<b>\$789,949,410</b>	<b>-\$94,981,039</b>	<b>\$22,062,036</b>	<b>-\$8,268,565</b>	<b>\$719,224,751</b>	<b>\$587,631</b>	<b>-\$8,856,196</b>	<b>-1.17%</b>
<b>Large Cap Value</b>	<b>\$296,882,326</b>	<b>\$3,890,830</b>	<b>\$292,991,496</b>	<b>-\$40,096,050</b>	<b>\$12,697,850</b>	<b>-\$4,685,119</b>	<b>\$264,799,006</b>	<b>\$88,166</b>	<b>-\$4,773,285</b>	<b>-1.70%</b>
Dodge & Cox Equity	\$175,167,284	\$3,890,830	\$171,276,454	-\$15,021,590	\$7,687,699	-\$4,644,429	\$163,188,963	\$82,592	-\$4,727,021	-2.79%
Blackrock Value Index Fund	\$121,715,043	\$0	\$121,715,042	-\$25,074,460	\$5,010,151	-\$40,690	\$101,610,043	\$5,574	-\$46,265	-0.04%
<b>Large Cap Growth</b>	<b>\$272,015,903</b>	<b>\$2,057,306</b>	<b>\$269,958,597</b>	<b>-\$64,544,248</b>	<b>\$1,473,104</b>	<b>-\$2,526,505</b>	<b>\$206,418,254</b>	<b>\$157,982</b>	<b>-\$2,684,486</b>	<b>-1.12%</b>
Jackson Square	\$157,881,342	\$2,057,306	\$155,824,036	-\$34,968,964	\$862,654	-\$2,573,978	\$121,201,054	\$153,189	-\$2,727,167	-1.95%
Blackrock Growth Index Fund	\$114,134,561	\$0	\$114,134,561	-\$29,575,283	\$610,450	\$47,474	\$85,217,200	\$4,793	\$42,681	0.04%
<b>Small Cap Value</b>	<b>\$80,482,878</b>	<b>\$3,144,076</b>	<b>\$77,338,801</b>	<b>-\$139,293</b>	<b>\$3,462,848</b>	<b>-\$742,201</b>	<b>\$83,064,231</b>	<b>\$166,002</b>	<b>-\$908,203</b>	<b>-1.11%</b>
Capital Prospects	\$80,482,878	\$3,144,076	\$77,338,801	-\$139,293	\$3,462,848	-\$742,201	\$83,064,231	\$166,002	-\$908,203	-1.11%
<b>Small Cap Growth</b>	<b>\$76,492,752</b>	<b>\$1,370,697</b>	<b>\$75,122,056</b>	<b>-\$140,439</b>	<b>\$2,476,869</b>	<b>-\$315,278</b>	<b>\$78,513,905</b>	<b>\$167,542</b>	<b>-\$482,820</b>	<b>-0.62%</b>
Legato Capital	\$76,492,752	\$1,370,697	\$75,122,056	-\$140,439	\$2,476,869	-\$315,278	\$78,513,905	\$167,542	-\$482,820	-0.62%
<b>Core</b>	<b>\$74,538,460</b>	<b>\$0</b>	<b>\$74,538,460</b>	<b>\$9,938,991</b>	<b>\$1,951,366</b>	<b>\$537</b>	<b>\$86,429,354</b>	<b>\$7,940</b>	<b>-\$7,403</b>	<b>-0.01%</b>
BNYM S&P Index Fund	\$74,538,460	\$0	\$74,538,460	\$9,938,991	\$1,951,366	\$537	\$86,429,354	\$7,940	-\$7,403	-0.01%
<b>International Equities</b>	<b>\$321,189,501</b>	<b>\$2,907,365</b>	<b>\$318,282,136</b>	<b>\$20,118,107</b>	<b>-\$1,339,351</b>	<b>-\$909,631</b>	<b>\$339,058,626</b>	<b>\$316,985</b>	<b>-\$1,226,616</b>	<b>-0.37%</b>
LSV Asset Management	\$158,941,137	\$901,484	\$158,039,653	\$10,226,087	-\$663,328	-\$2,917,911	\$165,585,986	\$121,159	-\$3,039,070	-1.87%
Pyramis Global	\$162,248,364	\$2,005,881	\$160,242,483	\$9,892,019	-\$676,023	\$2,008,280	\$173,472,640	\$195,826	\$1,812,454	1.08%
<b>Fixed Income</b>	<b>\$472,208,298</b>	<b>\$14,057,466</b>	<b>\$458,150,831</b>	<b>\$50,465,787</b>	<b>\$11,008,965</b>	<b>\$1,769,099</b>	<b>\$535,452,149</b>	<b>\$214,835</b>	<b>\$1,554,264</b>	<b>0.31%</b>
Dodge & Cox Fixed Income	\$358,285,800	\$13,556,372	\$344,729,428	\$50,560,998	\$8,488,072	\$1,872,596	\$419,207,466	\$115,817	\$1,756,779	0.45%
PIMCO	\$113,922,498	\$501,094	\$113,421,404	-\$95,210	\$2,520,892	-\$103,496	\$116,244,683	\$99,019	-\$202,515	-0.18%

Net cash flows include the net effects of StanCERA directed cash flows, dividends and managers moving internal cash into and out of the investment pool

Passive return assumes all portfolio assets are fully invested



## White Oak Alternative Investment Report for Quarter Ending March 31, 2016

### Distribution Activity Through 3/31/2016

Distributions	-\$18,943,704
Offering Costs	<u>\$0</u>
Net Distribution Activity	-\$18,943,704

### Interest and Expense Through Quarter Ending 3/31/2016

Interest Income	\$9,458,129
Undistributed Income Charge	\$0
Dividend Income	\$0
Incentive Allocation	-\$1,696,111
Management Fees	-\$1,564,089
Partnership Operations	\$0
Professional Fees	\$0
Organizational Expense	\$0
Other Expenses	-\$283,982
Service Fees	\$0
Realized Gain/(Loss)	\$113,051
Unrealized Gain/(Loss)	<u>\$760,972</u>
Net Investment Income/(Loss)	\$6,787,970
Gross Capital Calls as of Qtr End	\$52,101,296
Net Distribution Activity	-\$18,943,704
Net Investment Activity	<u>\$6,787,970</u>
Capital Balance as of Qtr End	\$39,945,561

Commitment Period Over

Expected Asset Value as of March 31, 2016	\$39,945,561
Expected Asset Value using 5% Illiquidity Discount	\$37,948,283
IRR Using 5% Illiquidity Discount	5.93%

### Historical Internal Rates of Return

<u>Date</u>	<u>Quarter</u>	<u>Inception</u>
September 30, 2014	-	8.92%
December 31, 2014	2.21%	11.33%
March 31, 2015	-0.59%	10.68%
June 30, 2015	-0.97%	9.60%
September 30, 2015	-0.91%	8.60%
December 31, 2015	0.07%	8.68%
March 31, 2016	0.03%	8.71%

### White Oak Cash Flow Activity Since Inception

<u>Date</u>	<u>Cash Flow</u>
8/2/2013	-\$1,195,179
8/5/2013	-\$1,072,131
8/27/2013	-\$504,810
9/24/2013	-\$1,759,299
9/26/2013	-\$9,074,704
10/7/2013	-\$1,583,868
11/5/2013	-\$1,557,519
11/19/2013	-\$1,595,710
12/2/2013	\$2,548,332
12/4/2013	-\$1,637,899
12/9/2013	-\$910,433
12/12/2013	-\$861,352
2/21/2014	-\$297,534
2/26/2014	\$7,885,764
3/26/2014	-\$3,239,701
4/25/2014	-\$2,338,689
5/25/2014	-\$840,670
7/31/2014	\$153,251
9/23/2014	-\$808,389
9/25/2014	-\$261,101
10/3/2014	\$287,925
11/19/2014	-\$892,750
12/9/2014	-\$169,677
12/11/2014	-\$6,368,205
12/23/2014	-\$3,171,213
12/23/2014	\$497,436
12/31/2014	-\$536,265
12/31/2014	-\$679,536
12/31/2014	\$679,536
1/21/2015	-\$297,534
2/9/2015	-\$1,649,388
2/13/2015	-\$1,867,840
3/9/2015	-\$496,670
3/10/2015	\$703,113
3/18/2015	-\$2,993,052
7/1/2015	-\$503,709
9/3/2015	\$788,722
12/31/2015	\$2,058,983
12/31/2015	\$1,149,965
1/12/2016	-\$2,936,468
3/31/2016	\$1,467,116



## Medley Alternative Investment Report for Quarter Ending March 31, 2016

### Distribution Activity Through 3/31/2016

Distributions	-\$10,234,932
Offering Costs	<u>\$0</u>
Net Distribution Activity	-\$10,234,932

### Interest and Expense Through Quarter Ending March 31 2016

Interest Income	\$11,553,899
Undistributed Income Charge	-\$2,807,135
Dividend Income	\$0
Other Income	\$0
Management Fees	-\$1,728,027
Partnership Operations	-\$305,514
Professional Fees	\$0
Organizational Expense	\$0
Other Expenses	-\$252,518
Service Fees	\$0
Realized Gain/(Loss)	-\$2,368,509
Unrealized Gain/(Loss)	<u>-\$569,886</u>
Net Investment Income/(Loss)	\$3,522,310
Gross Capital Calls as of Qtr End	\$34,518,348
Net Distribution Activity	-\$10,234,932
Net Investment Activity	<u>\$3,522,310</u>
Capital Balance as of Qtr End	\$27,805,726

Commitment Period Over

Expected Asset Value as of March 31, 2016	\$27,805,726
Expected Asset Value using 5% Illiquidity Discount	\$26,415,440
IRR Using 5% Illiquidity Discount	7.39%

### Medley Capital Cash Flow Activity Since Inception

<u>Date</u>	<u>Cash Flow</u>
5/16/2013	-\$7,500,000
5/16/2013	-\$13,808,430
5/31/2013	\$1,020,522
7/30/2013	\$2,349,915
12/4/2013	-\$1,445,727
12/11/2013	-\$2,416,766
12/17/2013	-\$1,346,764
3/11/2014	-\$2,674,594
3/28/2014	-\$1,918,283
9/24/2014	-\$619,597
9/24/2014	-\$1,032,662
9/24/2014	\$1,172,341
11/12/2014	-\$1,755,525
10/8/2015	\$1,819,672
1/29/2016	\$2,065,324
3/16/2016	\$1,807,158

### Historical Internal Rate of Return

<u>Date</u>	<u>Quarter</u>	<u>Inception</u>
September 30, 2014	-	3.73%
December 31, 2014	0.72%	4.48%
March 31, 2015	0.53%	5.03%
June 30, 2015	0.37%	5.42%
September 30, 2015	0.29%	5.73%
December 31, 2015	-0.59%	5.11%
March 31, 2016	3.93%	9.24%



## Raven I Alternative Investment Report for Quarter Ending March 31 2016

### Distribution Activity Through March 31 2016

Distributions	-\$11,351,117
Pre Funding Distribution	\$650,487
Offering Costs	<u>-\$22,211</u>
Net Distribution Activity	-\$10,722,841

### Interest and Expense Through Quarter Ending 3/31/2016

Interest Income	\$6,182,238
Undistributed Income Charge	-\$733,412
Dividend Income	\$1,330,650
Other Income	\$308,043
Management Fees	-\$2,357,317
Partnership Operations	\$0
Professional Fees	
Organizational Expense	
Other Expenses	-\$998,661
Service Fees	
Realized Gain/(Loss)	\$402,958
Unrealized Gain/(Loss)	<u>-\$2,035,160</u>
Net Investment Income/(Loss)	\$2,099,338
Gross Capital Call as of qtr End	\$34,668,305
Net Distribution Activity	-\$10,722,841
Net Investment Activity	<u>\$2,099,338</u>
Capital Balance as of Qtr End	\$26,044,802

### Raven I Capital Cash Flow Activity Since Inception

<u>Date</u>	<u>Cash Flow</u>
5/22/2013	-\$10,753,342
8/15/2013	\$183,156
10/1/2013	-\$6,279,640
10/1/2013	-\$3,139,820
11/14/2013	-\$2,354,865
11/19/2013	\$272,747
2/18/2014	\$418,643
3/17/2014	-\$4,709,730
5/20/2014	\$932,788
8/18/2014	\$2,421,827
8/18/2014	\$717,993
11/20/2014	\$478,040
11/20/2014	\$739,469
12/23/2014	-\$7,430,908
2/19/2015	\$432,318
2/19/2015	\$300,306
6/11/2015	\$757,562
6/11/2015	\$271,948
8/20/2015	\$639,738
8/20/2015	\$485,364
11/18/2015	\$132,154
11/18/2015	\$202,760
2/19/2016	\$204,746
2/19/2016	\$671,787

Commitment Period Over

Expected Asset Value as of March 31, 2016	\$26,044,802
Expected Asset Value using 5% Illiquidity Discount	\$24,742,562
IRR Using 5% Illiquidity Discount	0.51%

### Historical Internal Rate of Return

<u>Date</u>	<u>Quarter</u>	<u>Inception</u>
September 30, 2014		6.13%
December 31, 2014	-0.25%	5.86%
March 31, 2015	-0.46%	5.38%
June 30, 2015	-1.25%	4.06%
September 30, 2015	-1.17%	2.84%
December 31, 2015	0.79%	3.65%
March 31, 2016	-1.17%	2.44%





## Greenfield Alternative Investment Report for Quarter March 31 2016

Distribution Activity Through 3/31/2016	
Distributions	-\$2,036,071
Pre Funding Distribution	
Offering Costs	-
Net Distribution Activity	-\$2,036,071

Interest and Expense Through Quarter Ending 3/31/2016	
Interest Income	\$725,062
Undistributed Income Charge	
Dividend Income	
Other Income	
Management Fees	-\$515,497
Partnership Operations	\$0
Professional Fees	
Organizational Expense	
Other Expenses	
Service Fees	
Realized Gain/(Loss)	\$427,850
Unrealized Gain/(Loss)	\$990,826
Net Investment Income/(Loss)	\$1,628,241
Gross Capital Call as of Qtr End	\$10,625,501
Net Distribution Activity	-\$2,036,071
Net Investment Activity	<u>\$1,628,241</u>
Capital Balance as of Qtr End	\$10,217,671

Net Capital Calls to date	\$8,589,430
Total Commitment	\$15,000,000
Remaining Capital Commitment	\$6,410,570
Commitment Period End Date	12/1/2017
Management Fee	1.50%
Max Mngmt. Fee on Remaining Capital Commitment	\$124,001

Expected Asset Value as of March 31, 2016	\$10,217,671
Expected Asset Value using 5% Illiquidity Discount	\$9,706,787
IRR Using 5% Illiquidity Discount	8.77%

### Greenfield Capital Cash Flow Activity Since Inception

Date	Cash Flow
7/8/2014	-\$2,122,581
8/22/2014	-\$1,212,903
10/7/2014	\$2,103
10/7/2014	\$134,135
10/21/2014	-\$5,169,043
11/21/2014	-\$1,723,014
12/9/2014	-\$781,885
12/12/2014	\$10,283
12/12/2014	\$928,920
12/16/2014	-\$3,955
12/22/2014	\$7,776
12/22/2014	\$536,748
6/12/2015	-\$591,608
6/30/2015	\$2,036,071
6/30/2015	\$114,672
11/2/2015	-\$470,654
3/1/2016	-\$196,106

### Historical Internal Rate of Return

Date	Quarter	Inception
September 30, 2014	-	0.00%
December 31, 2014	2.85%	2.85%
March 31, 2015	0.41%	3.27%
June 30, 2015	9.27%	12.84%
September 30, 2015	-2.22%	10.33%
December 31, 2015	3.34%	14.01%
March 31, 2016	-1.44%	12.37%



## American Realty Alternative Investment Report for Quarter Ending March 31, 2016

### Distribution Activity Through 3/31/2016

Distributions	-\$1,975,700
Pre Funding Distribution	
Offering Costs	<u>-\$54</u>
Net Distribution Activity	-\$1,975,754

### Interest and Expense Through Quarter Ending 3/31/2016

Interest Income	\$431,893
Undistributed Income Charge	
Dividend Income	
Accrued Incentive Income	-\$182,720
Management Fees	-\$123,860
Partnership Operations	\$0
Professional Fees	
Organizational Expense	
Other Expenses	
Service Fees	
Realized Gain/(Loss)	\$788,322
Unrealized Gain/(Loss)	<u>\$598,499</u>
Net Investment Income/(Loss)	\$1,512,134
Gross Capital Call as of Qtr End	\$7,671,700
Net Distribution Activity	-\$1,975,754
Net Investment Activity	<u>\$1,512,134</u>
Capital Balance as of Qtr End	\$7,208,080
Commitment	\$30,000,000
Net Capital Calls to date	\$7,671,700
Remaining Capital Commitment	\$22,328,300
Commitment Period End Date	Open End Fund
Management Fee	1.20% <i>Weighted</i>
Max Mngmt. Fee on Remaining Capital Commitment	Only on Invested Capital
Expected Asset Value as of March 31, 2016	\$7,208,080
Expected Asset Value using 5% Illiquidity Discount	\$6,847,676
IRR Using 5% Illiquidity Discount	17.77%

### Historical Internal Rate of Return

<u>Date</u>	<u>Quarter</u>	<u>Inception</u>
March 31, 2015	23.54%	23.54%
June 30, 2015	-3.86%	18.77%
September 30, 2015	9.89%	30.52%
December 31, 2015	-9.31%	18.37%
March 31, 2016	3.86%	22.93%

### American Realty Cash Flow Activity Since Inception

<u>Date</u>	<u>Cash Flow</u>
12/15/2014	-\$3,549,100
1/28/2015	-\$1,934,300
2/12/2016	\$2,029,728
3/26/2016	-\$2,188,300



## North Haven Infrastructure Alternative Investment Report for Quarter Ending March 31, 2016

### Distribution Activity Through 3/31/2016

Distributions	-\$2,561,765
Pre Funding Distribution	\$0
Syndication Costs	<u>-\$63,944</u>
Net Distribution Activity	-\$2,625,709

### Interest and Expense Through Quarter Ending 3/31/2016

Interest Income	
Undistributed Income Charge	-\$357,892
Dividend Income	
Other Income	
Management Fees	-\$1,153,749
Partnership Operations	\$0
Professional Fees	
Organizational Expense	
Other Expenses	-\$216,514
Service Fees	
Realized Gain/(Loss)	-\$53,335
Unrealized Gain/(Loss)	<u>\$735,468</u>
Net Investment Income/(Loss)	-\$1,046,022

Gross Capital Call as of Qtr End	\$10,521,639
Net Distribution Activity	-\$2,625,709
Net Investment Activity	<u>-\$1,046,022</u>
Capital Balance as of Qtr End	\$6,849,908

Total Commitment	\$50,000,000
Net Capital Calls to date	\$7,601,982
Remaining Capital Commitment	\$42,398,018
Commitment Period End Date	9/1/2019
Management Fee	1.50%
Max Mngmt. Fee on Remaining Capital Commitment	\$1,960,625

Expected Asset Value as of March 31, 2016	\$6,849,908
Expected Asset Value using 5% Illiquidity Discount	\$6,507,413
IRR Using 5% Illiquidity Discount	-12.94%

### Historical Internal Rate of Return

<u>Date</u>	<u>Quarter</u>	<u>Inception</u>
June 30, 2015	-	N/A
September 30, 2015	-22.33%	-22.33%
December 31, 2015	6.47%	-17.30%
March 31, 2016	10.10%	-8.95%

### North Haven Infrastructure Cash Flow Activity Since Inception

<u>Date</u>	<u>Cash Flow</u>
5/19/2015	-\$10,521,639
8/25/2015	\$867,680
8/28/2015	-\$81,684
3/1/2016	\$1,694,085
3/1/2016	\$427,750



## Raven III Investment Report for Quarter Ending March 31, 2016

### Distribution Activity Through 3/31/2016

Distributions	-\$94,778
Pre Funding Distribution	
Offering Costs	
Net Distribution Activity	-\$94,778

### Interest and Expense Through Quarter Ending 3/31/2016

Interest Income	\$789,462
Undistributed Income Charge	\$18,635
Dividend Income	
Other Income	
Management Fees	-\$663,445
Partnership Operations	\$0
Professional Fees	
Organizational Expense	-\$28,013
Other Expenses	-\$195,836
Service Fees	
Realized Gain/(Loss)	
Unrealized Gain/(Loss)	-\$65,448
Net Investment Income/(Loss)	-\$144,646

Gross Capital Call as of Qtr End	\$10,848,386
Net Distribution Activity	-\$94,778
Net Investment Activity	-\$144,646
Capital Balance as of Qtr End	\$10,608,962

Total Commitment	\$50,000,000
Net Capital Calls to date	\$13,069,073
Remaining Capital Commitment	\$36,930,927
Commitment Period End Date	9/1/2019
Management Fee	1.75%
Max Mngmt. Fee on Remaining Capital Commitment	\$1,997,494

Expected Asset Value as of March 31, 2016	\$10,608,962
Expected Asset Value using 5% Illiquidity Discount	\$10,078,514
IRR Using 5% Illiquidity Discount	-25.61%

### Historical Internal Rate of Return

<u>Date</u>	<u>Quarter</u>	<u>Inception</u>
September 30, 2015	-14.95%	-14.95%
December 31, 2015	11.89%	-4.84%
March 31, 2016	-3.12%	-7.81%

### Raven III Cash Flow Activity Since Inception

<u>Date</u>	<u>Cash Flow</u>
7/6/2015	-\$2,996,475
8/20/2015	\$1,526,734
8/20/2015	\$14,724
9/29/2015	-\$1,559,575
9/29/2015	-\$1,847
10/16/2015	\$693,953
10/16/2015	\$9,675
12/9/2015	-\$753,343
2/24/2016	-\$7,759,680



# Cash Flow Report

July 2015 through June 2016

Beginning Cash Balance*	\$9,161,534
-------------------------	-------------

## Cash Flow In

Sales of Investments	\$30,050,000
Plan Sponsor Contributions	\$57,489,138
Employee Contributions	\$23,330,788
Employee Buybacks	\$370,236
Interest Income	\$0
Rental Income	\$52,343
Commission Recapture	\$9,402
Litigation Recovery	<u>\$313,436</u>

Total Cash Flow In	\$111,615,343
--------------------	---------------

## Cash Flow Out

Retirement Benefits	\$105,970,409
StanCERA Payroll	\$993,943
Operations Expense	\$339,173
Pension Software	\$204,005
Fixed Asset Purchases	\$26,719
Member Refunds	\$1,203,605
Post Retirement Death Benefits	\$18,671
Burial Allowances	\$355,000
Retiree Death - Return of Contributions	\$0
Investment Consultant Fees	\$300,001
Actuarial Fees	\$143,546
Custodial Fees	\$358,171
Audit Fees	\$61,931
Legal Fees	\$321,472
Other Fees	<u>\$485,909</u>

Total Cash Flow Out	\$110,782,556
---------------------	---------------

Ending Cash Balance	\$9,994,321
---------------------	-------------

Change in Cash Balance	\$832,787
------------------------	-----------

\* Prior end balances may not always equal current beginning balance due to subsequent refinement of data





# Cash Flow Report

April 2016 through June 2016

Beginning Cash Balance*	\$10,004,339
-------------------------	--------------

## Cash Flow In

Sales of Investments	\$9,550,000
Plan Sponsor Contributions	\$13,391,858
Employee Contributions	\$5,416,401
Employee Buybacks	\$4,827
Interest Income	\$0
Rental Income	\$13,086
Commission Recapture	\$0
Litigation Recovery	<u>\$73,609</u>

Total Cash Flow In	\$28,449,780
--------------------	--------------

## Cash Flow Out

Retirement Benefits	\$27,512,645
StanCERA Payroll	\$0
Operations Expense	\$0
Pension Software	\$204,005
Fixed Asset Purchases	\$26,719
Member Refunds	\$352,513
Post Retirement Death Benefits	\$0
Burial Allowances	\$105,000
Retiree Death - Return of Contributions	\$0
Investment Consultant Fees	\$68,751
Actuarial Fees	\$30,865
Custodial Fees	\$85,282
Audit Fees	\$19,122
Legal Fees	\$54,899
Other Fees	<u>\$0</u>

Total Cash Flow Out	\$28,459,799
---------------------	--------------

Ending Cash Balance	\$9,994,321
---------------------	-------------

Change in Cash Balance	-\$10,019
------------------------	-----------

*\* Prior end balances may not always equal current beginning balance due to subsequent refinement of data*

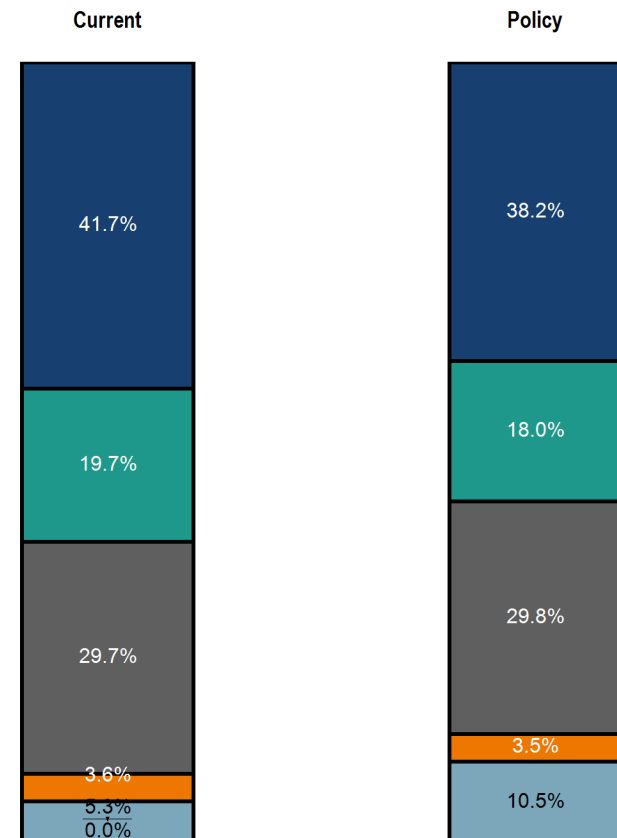


# Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: July 31, 2016

	Market Value	% of Portfolio	1 Mo	YTD
<b>Total Fund</b>	<b>1,811,005,171</b>	<b>100.0</b>	<b>3.4</b>	<b>4.7</b>
<i>Policy Index</i>			2.9	6.8
<b>US Equity</b>	<b>755,732,036</b>	<b>41.7</b>	<b>5.1</b>	<b>5.3</b>
<i>US Equity Blended</i>			4.2	7.8
<i>Russell 3000</i>			4.0	7.7
Mellon S&P 500	89,610,625	4.9	3.7	7.7
<i>S&amp;P 500</i>			3.7	7.7
BlackRock Russell 1000 Growth	89,243,714	4.9	4.7	6.2
<i>Russell 1000 Growth</i>			4.7	6.1
Jackson Square	129,891,117	7.2	7.1	-0.9
<i>Russell 1000 Growth</i>			4.7	6.1
BlackRock Russell 1000 Value	104,581,447	5.8	2.9	9.4
<i>Russell 1000 Value</i>			2.9	9.4
Dodge & Cox-Equity	171,878,082	9.5	5.3	6.3
<i>Russell 1000 Value</i>			2.9	9.4
Legato Capital	83,026,052	4.6	5.6	0.1
<i>Russell 2000 Growth</i>			6.5	4.8
Capital Prospects	87,500,999	4.8	5.2	9.5
<i>Russell 2000 Value</i>			5.4	11.8
<b>International Equity</b>	<b>356,184,052</b>	<b>19.7</b>	<b>5.0</b>	<b>2.8</b>
<i>MSCI ACWI ex USA Gross</i>			5.0	4.3
LSV Asset Mgt	174,961,955	9.7	5.6	2.6
<i>MSCI ACWI ex USA Gross</i>			5.0	4.3
Pyramis	181,222,097	10.0	4.5	2.8
<i>MSCI ACWI ex USA Gross</i>			5.0	4.3
<b>US Fixed Income</b>	<b>537,271,035</b>	<b>29.7</b>	<b>0.9</b>	<b>6.2</b>
<i>Barclays Aggregate</i>			0.6	6.0
Dodge & Cox-Fixed	420,129,328	23.2	1.0	6.3
<i>Barclays Aggregate</i>			0.6	6.0
PIMCO	117,141,707	6.5	0.7	5.8
<i>Barclays Aggregate</i>			0.6	6.0

	Current	%	Policy	%
Domestic Equity	\$755,732,036	41.7%	\$691,803,975	38.2%
International Equity	\$356,184,052	19.7%	\$325,980,931	18.0%
Domestic Fixed Income	\$537,271,035	29.7%	\$539,679,541	29.8%
Real Estate	\$65,174,762	3.6%	\$63,385,181	3.5%
Alternatives	\$96,632,752	5.3%	\$190,155,543	10.5%
Cash and Equivalents	\$10,534	0.0%	--	--
<b>Total</b>	<b>\$1,811,005,171</b>	<b>100.0%</b>	<b>\$1,811,005,171</b>	<b>100.0%</b>



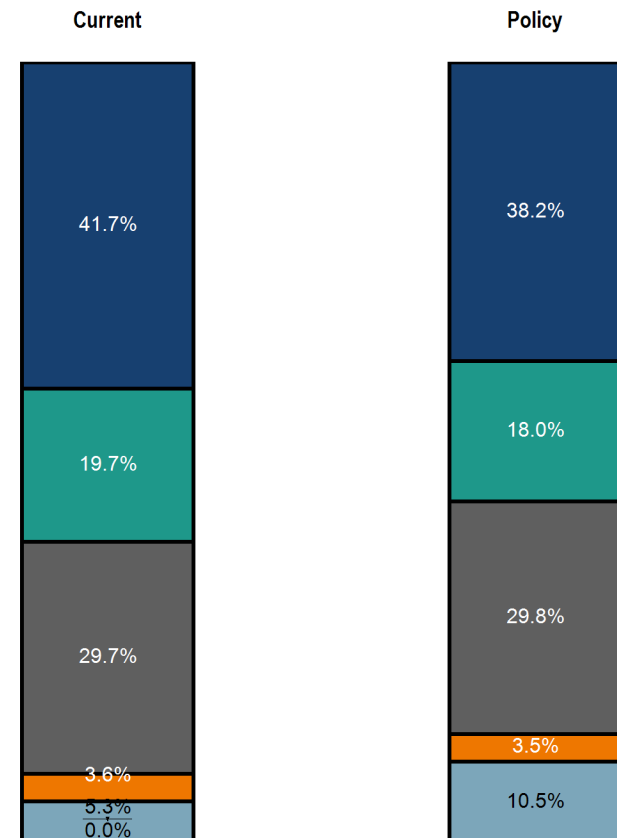
Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. All data is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

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

Period Ending: July 31, 2016

	Market Value	% of Portfolio	1 Mo	YTD
<b>Real Estate</b>	<b>65,174,762</b>	<b>3.6</b>	<b>1.7</b>	<b>7.1</b>
DJ US Select RESI			4.4	15.6
Prime Property Fund	16,129,294	0.9	0.0	4.3
NCREIF-ODCE			0.0	4.4
American Strategic Value Realty	12,074,520	0.7	0.0	6.1
NCREIF Property Index			0.0	4.3
BlackRock US Real Estate	25,910,023	1.4	4.4	15.6
DJ US Select RESI TR USD			4.4	15.6
Greenfield Gap	11,060,926	0.6		
<b>Direct Lending</b>	<b>89,782,844</b>	<b>5.0</b>		
Medley Capital	26,256,732	1.4		
Raven Capital	18,788,374	1.0		
Raven Opportunity III	8,085,621	0.4		
White Oak Pinnacle	36,652,117	2.0		
<b>Infrastructure</b>	<b>6,849,908</b>	<b>0.4</b>		
MS Infrastructure Partners II	6,849,908	0.4		
Cash Account	10,534	0.0	0.0	0.5

	Current	%	Policy	%
Domestic Equity	\$755,732,036	41.7%	\$691,803,975	38.2%
International Equity	\$356,184,052	19.7%	\$325,980,931	18.0%
Domestic Fixed Income	\$537,271,035	29.7%	\$539,679,541	29.8%
Real Estate	\$65,174,762	3.6%	\$63,385,181	3.5%
Alternatives	\$96,632,752	5.3%	\$190,155,543	10.5%
Cash and Equivalents	\$10,534	0.0%	--	--
<b>Total</b>	<b>\$1,811,005,171</b>	<b>100.0%</b>	<b>\$1,811,005,171</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.

**PERIOD ENDING: JUNE 30, 2016**

Investment Performance Review for

**Stanislaus County Employees' Retirement Association**



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Investment Landscape	TAB I
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Investment Performance Review	TAB II
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Risk Dashboard	TAB III
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**PERSPECTIVES**  
**THAT DRIVE**  
**ENTERPRISE**  
**SUCCESS**

3<sup>RD</sup> QUARTER 2016  
Investment Landscape



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# 2<sup>nd</sup> quarter summary

## THE ECONOMIC CLIMATE

- The U.K. vote to leave the European Union surprised markets and caused the beginning of a reassessment of associated risks. *p. 17, 30*
- Economic growth has been mixed across the developed markets. BRICS economies exhibited a slight improvement in growth. Brazil and Russia may be rounding the corner from severe recession. *p. 16, 31*
- Inflation around the world continued downward with the U.S. being an exception. *p. 15, 16*

## MARKET PORTFOLIO IMPACTS

- The U.S. dollar rose 0.5% in Q2 on a trade-weighted basis. If we see stabilization of the dollar this may have a positive impact on U.S. earnings. Investors who have unhedged international equity exposure would also benefit. *p. 25, 38*
- The Bloomberg Commodity index exhibited a bounce in Q2 returning 12.8%, but is still down -13.3% over the past year. *p. 36*

## THE INVESTMENT CLIMATE

- Government bond yields have reached all time lows in many developed countries around the globe and a third of government bonds as measured by market value are now characterized by negative yields. *p. 19*
- Following Britain's unexpected vote to leave the E.U., markets saw significant drawdowns. Most equity markets have now recovered losses and some have reached new highs. *p. 17, 25, 30*

## ASSET ALLOCATION ISSUES

- We continue to remain underweight risk and believe that market risks are asymmetrically skewed to the downside. *p. 32, 33*
- U.S. inflation expectations decreased during the quarter although inflation has now begun to rise. Market pricing implies U.S. inflation will decline from the current level and stay lower for longer. *p. 14*

We remain underweight to risk

Further U.S. earnings weakness could cause an adjustment of risk appetite amongst investors

# What drove the market in Q2?

## “LAID-OFF AMERICANS ARE FINALLY RETURNING TO THE LABOR MARKET: WILL THEY FIND JOBS?”

### U.S. Labor Participation Rate

Jan 31st	Feb 29th	Mar 31st	April 30th	May 31st	June 30th
62.70%	62.90%	63.00%	62.80%	62.60%	62.70%

Source: LA Times, April 1<sup>st</sup> 2016

## “OIL PRICES POISED TO HIT SWEET SPOT FOR GLOBAL ECONOMY”

### WTI Crude Oil

Jan 29th	Feb 29th	Mar 31st	April 29th	May 31st	June 30th
\$40.91	\$37.89	\$41.33	\$47.49	\$50.56	\$49.13

Source: WSJ, May 26<sup>th</sup> 2016

## “TREASURY YIELDS PLUMMET TO 3-YEAR LOW AMID GLOBAL BOND RALLY”

### U.S. 10 Year Treasury Yield

Jan 29th	Feb 29th	Mar 31st	April 29th	May 31st	June 30th
1.92%	1.73%	1.77%	1.83%	1.85%	1.47%

Source: WSJ, June 10<sup>th</sup> 2016

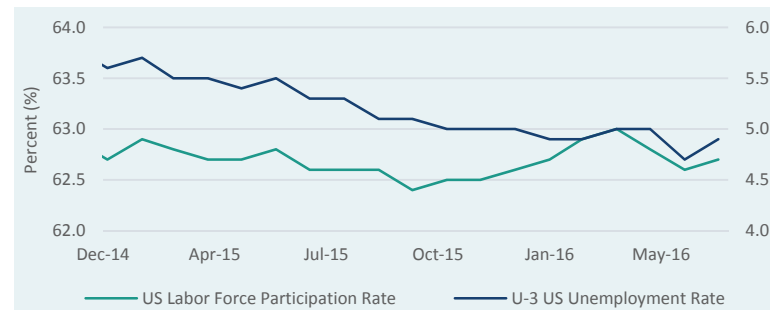
## “BRITISH EU VOTE UNNERVES WORLD LEADERS AND MARKETS”

### VIX

Jan 29th	Feb 29th	Mar 31st	April 29th	May 31st	June 24th
20.20	20.55	13.95	15.70	14.19	25.76

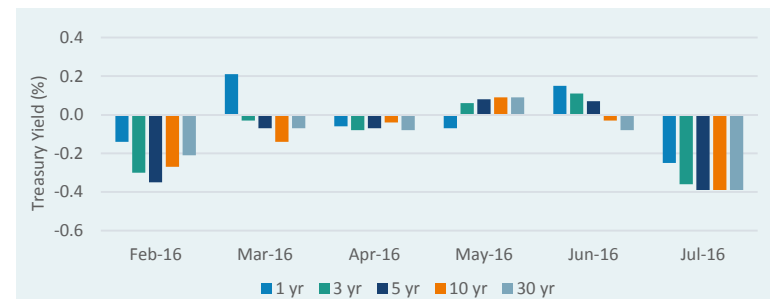
Source: Reuters, June 27<sup>th</sup> 2016

### UNEMPLOYMENT VS PARTICIPATION



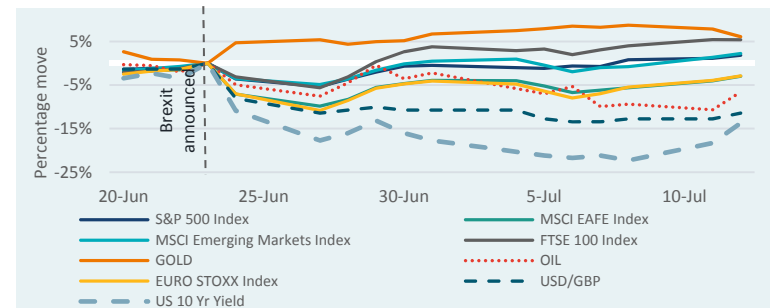
Source: FRED, as of 6/30/16

### U.S. TREASURY MONTHLY YIELD CHANGE



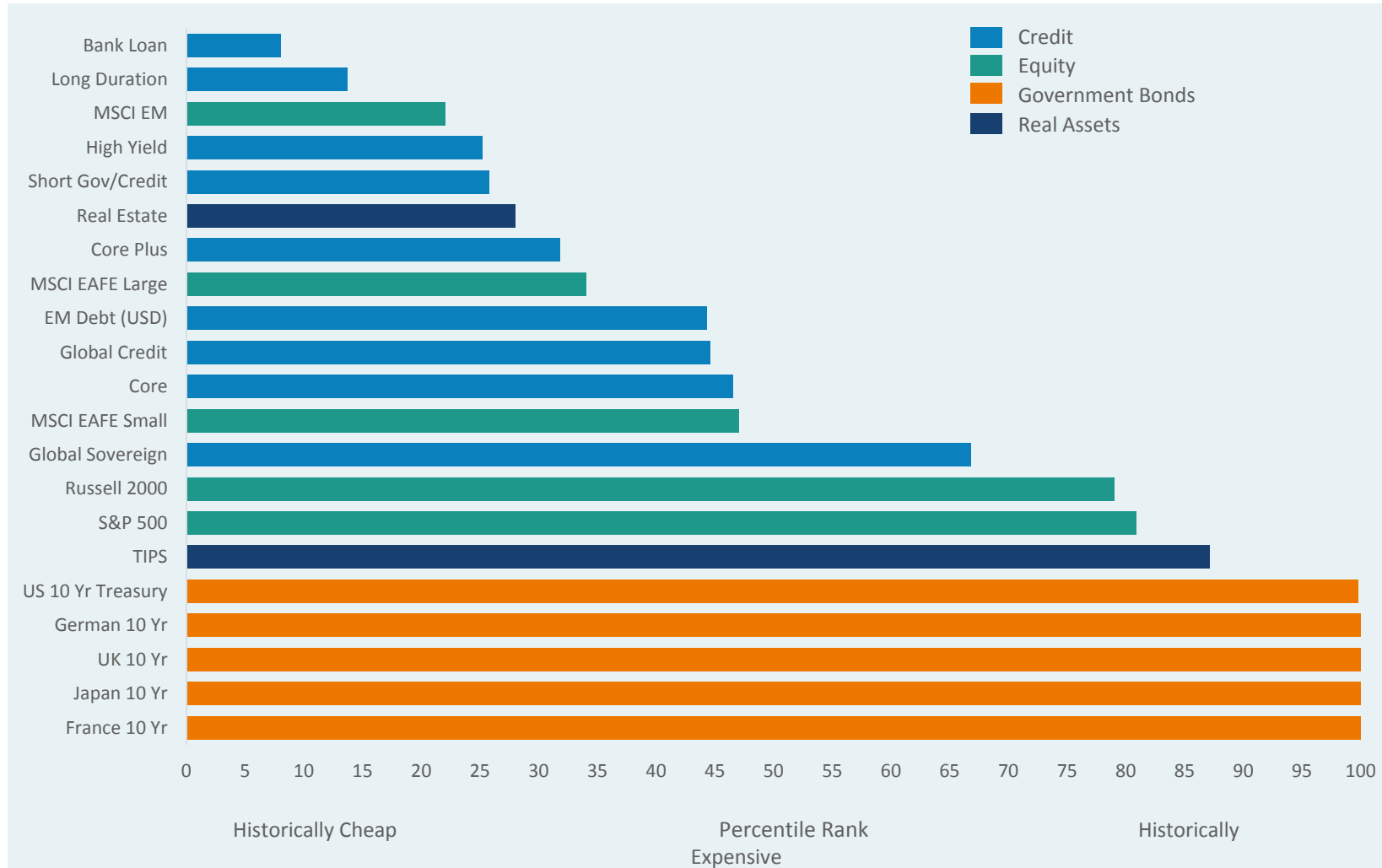
Source: Federal Reserve, as of 6/30/16

### BREXIT PRICE IMPACT



Source: Bloomberg, as of 7/11/16

# Not everything is expensive



Government bonds are priced exceptionally rich relative to history

Some credit and equity markets are priced near or below historical average levels

*Note: The bars show current value of each asset class relative to itself based on percentile rank as of June 29, 2016. Equity valuations take into account both Shiller P/E and Regular P/E. Credit valuations are based on nominal credit spreads. Government Bonds reflect the current yield on the 10 Year. Bank Loans represent Bank Loan Spread to LIBOR. Real Estate is valued based on the current annual Cap Rate Spread. Treasury Inflation Protected Securities (TIPS) reflect the current 10 year real yield. Historical data varies, ranging from 1962 (10 Yr Treasury) to 2005 (MSCI EM).*



# Economic environment

# U.S. economics summary

- U.S. real GDP grew at a 2.1% pace YoY (and 1.1% QoQ) in Q1, driven by consumption. The Atlanta Fed GDPNow indicator forecasts 2.4% QoQ real GDP growth in Q2, as of July 19<sup>th</sup>. High inventory levels in the U.S., causing little further inventory growth, have been a drag on growth over recent quarters.
- Robust economic expansion would be needed in the second half of the year to reach the Fed's 2.0% YoY expected real GDP growth target.
- U.S. CPI sits at 1.0% YoY while Core CPI (CPI excluding energy and food prices) sits at 2.2% YoY, as of May. The difference between Headline CPI and Core CPI is driven by swings in energy and food prices. If we see a stabilization in these two contributors, then Core inflation should begin to revert towards Headline inflation levels.
- The Fed left interest rates unchanged at the June policy meeting prior to the Brexit vote. Following the U.K.'s surprising decision to leave the E.U., Fed fund futures suggest that the market is no longer pricing in a rate hike this year.
- Nonfarm payrolls added 287,000 jobs in June, beating the consensus estimate of 180,000, according to Econoday. The unemployment rate ticked up 0.2% to 4.9% and the labor force participation rate increased 0.1% to 62.7% as people re-entered the labor force.

	Most Recent	12 Months Prior
GDP ( <i>annual YoY</i> )	2.1% 3/31/2016	2.9% 3/31/15
Inflation (CPI YoY, Headline)	1.0% 6/30/16	0.1% 6/30/15
Expected Inflation (5yr-5yr forward)	1.5% 6/30/16	2.2% 6/30/15
Fed Funds Rate	0.25% 6/30/16	0.12% 6/30/15
10 Year Rate	1.5% 6/30/16	2.4% 6/30/15
U-3 Unemployment	4.9% 6/30/16	5.3% 6/30/15
U-6 Unemployment	9.6% 6/30/16	10.5% 6/30/15

# U.S. economics – GDP growth

U.S. real GDP grew at a 2.1% pace YoY (and 1.1% QoQ) in Q1, driven by consumption. The Atlanta Fed GDPNow indicator forecasts 2.4% QoQ real GDP growth in Q2, as of July 19<sup>th</sup>. Robust economic growth would be needed in the second half of the year to reach the Fed's 2.0% YoY expected annual growth.

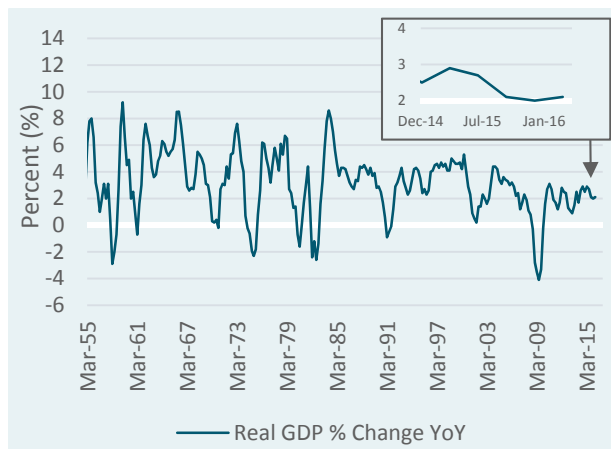
Overbuilt inventories in the U.S. have been a material drag on growth over recent quarters, as demonstrated in the far right chart, and a rebalancing would improve future prospects.

Forecasts for medium-term U.S. GDP growth have fallen to around 2%, and Fed expectations were further revised downward in Q2.

Expectations for economic growth should be naturally lower in this environment due to weak population increases (0.77% growth over the past 5 years relative to the long term average of 1.26%) and anemic productivity gains relative to past decades. (0.52% growth over the past 5 years relative to the long term average of 1.97%) Productivity effects have generally been attributed to lower corporate capital investment.

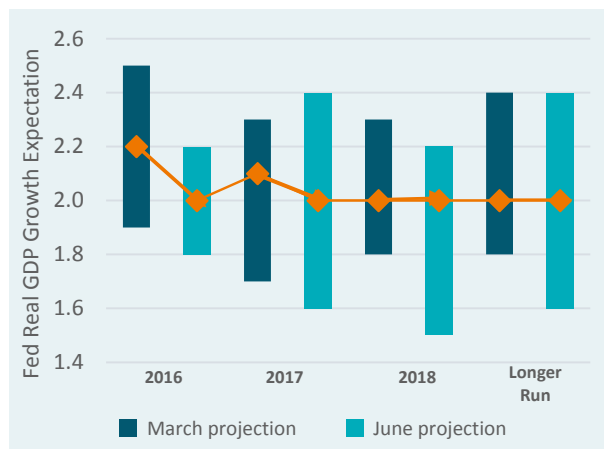
Consumer expenditures remain the sole contributor to real GDP growth

## U.S. REAL GDP GROWTH



Source: FRED, as of 3/31/16

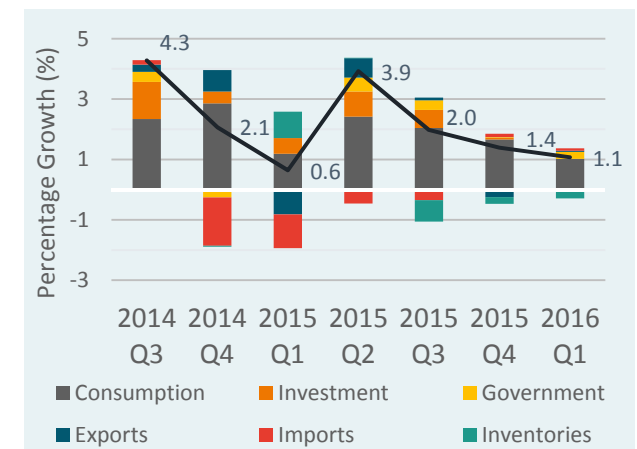
## CHANGING FED GROWTH EXPECTATIONS



Source: Federal Reserve, as of 6/15/16

Range of expectations - Fed Board members and presidents

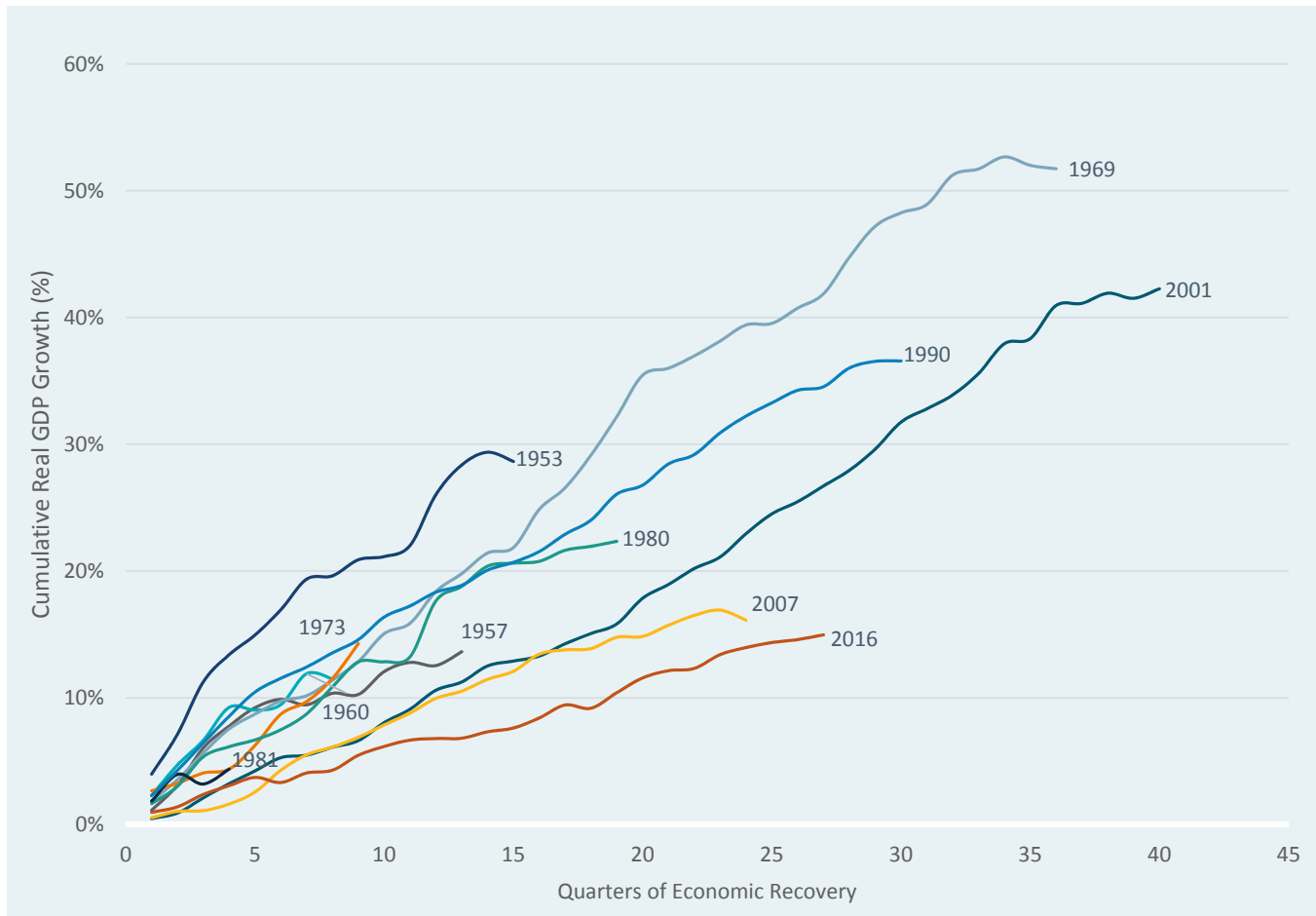
## GDP COMPONENTS



Source: FRED

# U.S. economics – Cyclical comparisons

## REAL ECONOMIC GROWTH - ECONOMIC RECOVERIES DURING THE PAST 60 YEARS



Source: Verus, as of Q1 2016

NOTE: X-axis value of "0" represents the beginning of an economic expansion. "Expansion" is defined by the National Bureau of Economic Research (NBER) as a period between an economic trough and peak.

Economic cycles are characterized by a growth "boom" and "bust"

Though long in tenure, this "boom" has been of lesser magnitude than some of the past

# U.S. economics – Unemployment

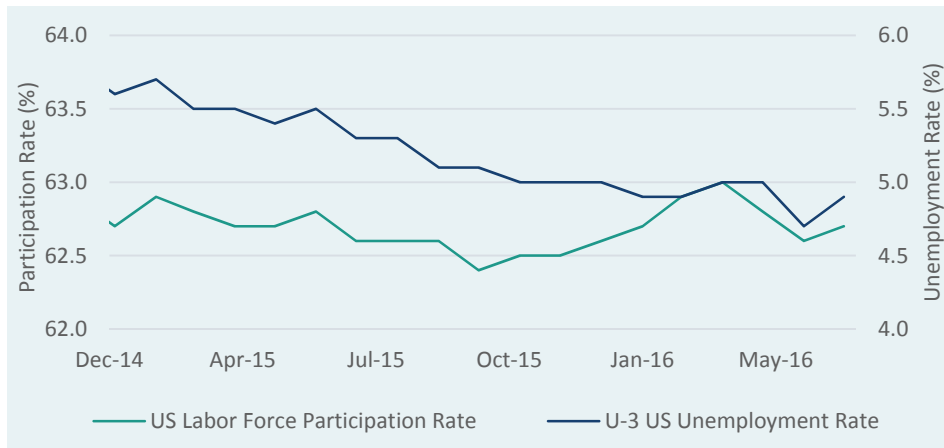
Job growth within the U.S showed signs of slowing during the quarter with nonfarm payrolls increasing only 38,000 in May. June's report subdued fears however, as 287,000 nonfarm payrolls were added vs an expected 180,000. The unemployment rate ticked up to 4.9%, from 4.7% in May corresponding with an increase in the participation rate. Growth in average hourly wages remains steady with a recent print of 2.6% YoY.

As the job market tightens (by the U-3 unemployment definition) we have seen structurally unemployed workers (those that are not looking for work or have given up on their search for work) begin to return to the workforce.

An increasingly tight labor market can have both positive and negative effects. Rising wages are paid from corporate earnings, and in an environment of lower corporate earnings an increase in wage pressure could be unwelcome for shareholders.

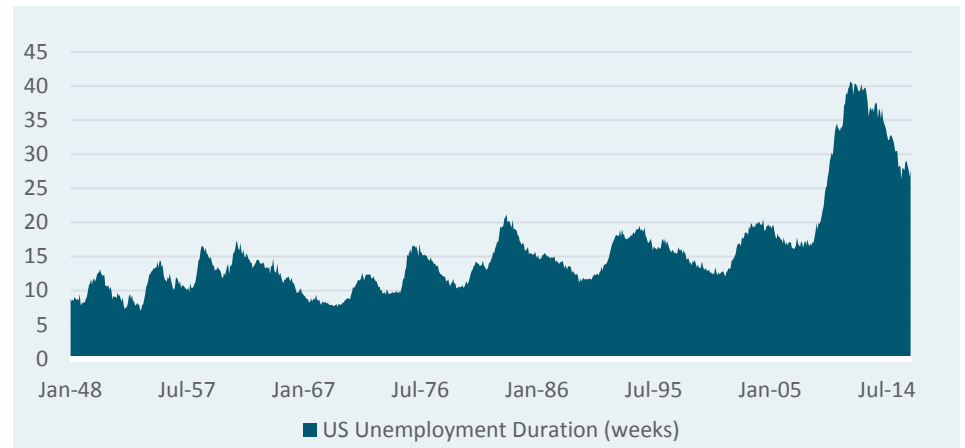
Discouraged workers reentering the workforce increased both unemployment & participation rates

U.S. UNEMPLOYMENT & PARTICIPATION



Source: FRED, as of 6/30/16

UNEMPLOYMENT DURATION



Source: FRED, as of 5/31/16

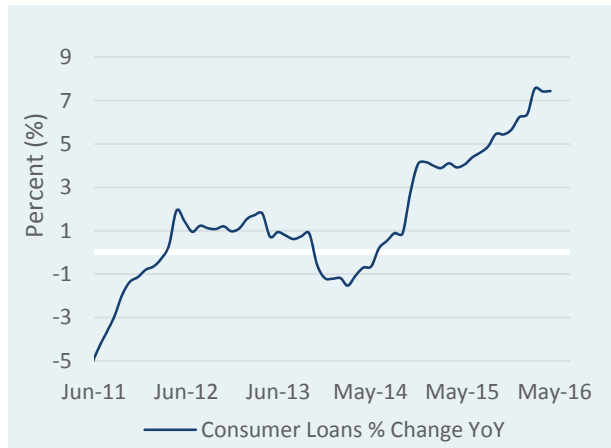
# U.S. economics – The consumer

Consumption continues to be the primary driver of GDP growth, while other contributors remain stagnant. A strong labor market has helped push real wages up. Greater discretionary income, appreciating real estate values, lower debt service burdens (through lower interest rates) and greater job security have created a healthy environment for the consumer and may lead to further spending growth and credit expansion.

Consumer health is still uneven across demographics

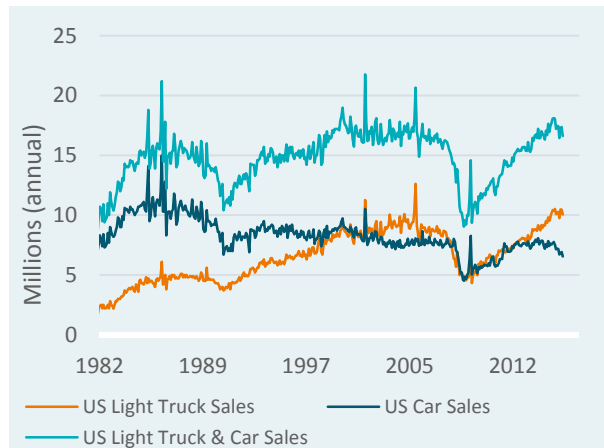
and worker skillset cohorts. Shifts in the U.S. economy have led to mismatches between available workers and job openings as these workers do not have the skills needed for these roles. This contributes to structural employment and remains a concern. It has been suggested that recent job gains were 'lopsided' because these jobs may have benefited older and less skilled workers. This may actually be a positive sign that some structurally unemployed workers are successfully moving back into the job market.

**CONSUMER LOAN GROWTH**



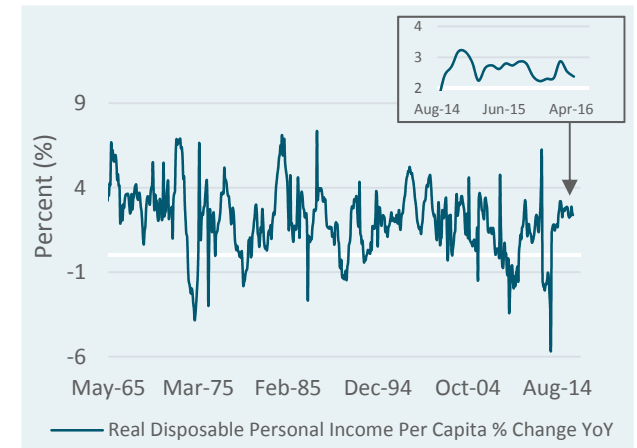
Source: FRED, as of 5/1/16

**AUTO SALES**



Source: FRED, as of 5/31/16

**GROWTH OF DISPOSABLE INCOME**



Source: FRED, as of 5/1/16



# U.S. economics – Sentiment

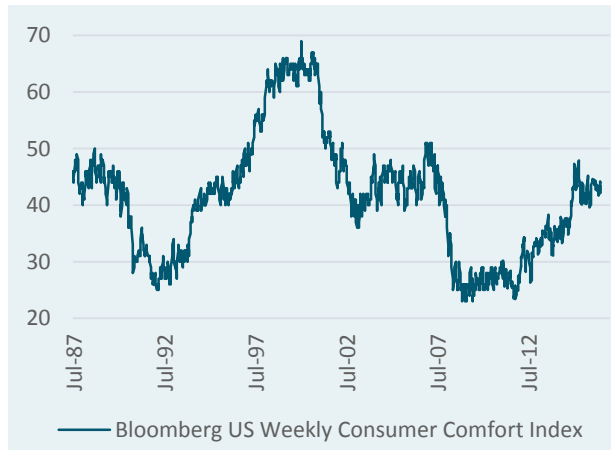
Consumer sentiment has been relatively stable through recent quarters, as indicated by the Bloomberg and University of Michigan surveys. The Citi Economic Surprise index experienced a large positive swing after being in negative territory for the first half of 2016.

It is worth noting that these sentiment indicators suggest consumers have recovered psychologically from the global financial crisis. The University of Michigan survey has moved above its long-term average level – a

point not reached since January 2007. Stronger positive consumer sentiment is of great importance to the future path of the U.S. economy.

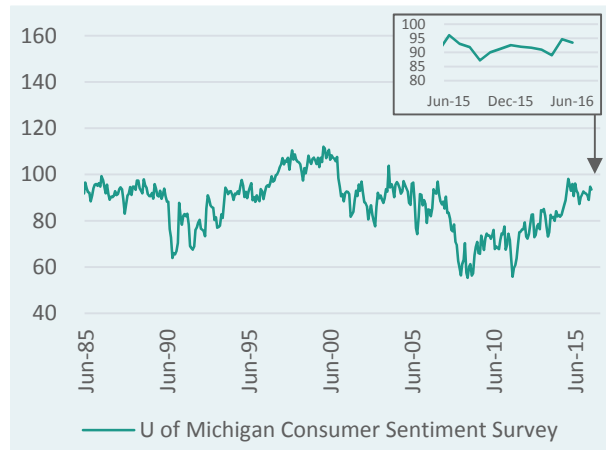
The large positive move in the Citi Economic Surprise index was driven by a strong U.S. jobs number which we discussed in slide 10. This positive news had a notable risk-on effect across markets.

**CONSUMER COMFORT INDEX**



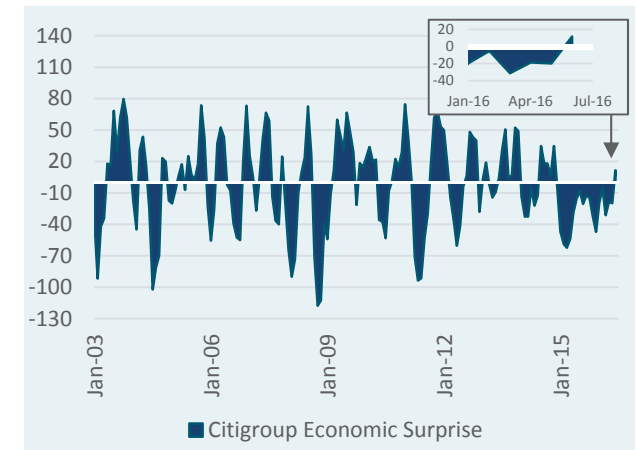
Source: Bloomberg, as of 6/26/16 (see Appendix)

**CONSUMER SENTIMENT**



Source: University of Michigan, as of 6/30/16 (see Appendix)

**ECONOMIC SURPRISE**



Source: Bloomberg, as of 7/12/16 (see Appendix)

# U.S. economics – Housing

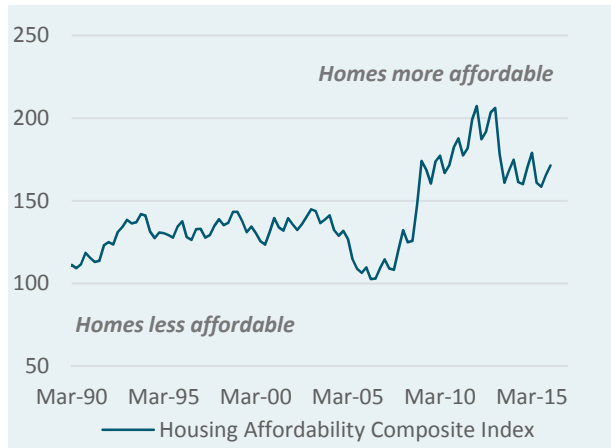
In the first three months of the year, U.S. homeownership moved down to a rate of 63.5%, which is the lowest rate of homeownership since 1967.

Sales of existing homes rose substantially over the second quarter, climbing to a nine-year high. A tightening labor market and low interest rates have fueled growth. If the Fed increases rates and median home prices continue to increase, lower home

affordability could be a headwind for future demand. However, new single-family home sales remain lackluster, potentially because of weaker employment among residential builders and contractors.

Although housing starts seem to be gaining momentum, they still remain below the 30-year average. This limited supply has contributed to positive price pressure.

## HOME AFFORDABILITY



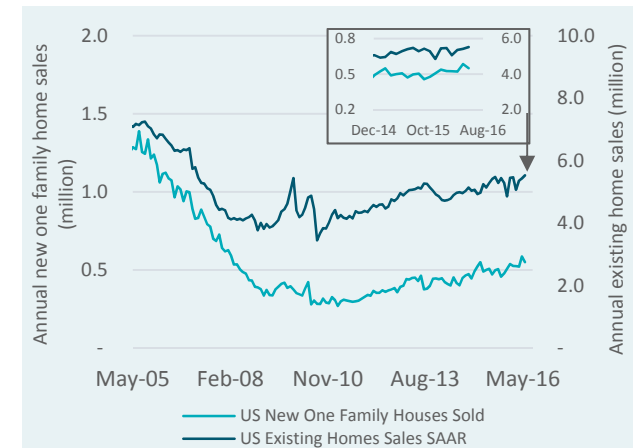
Source: National Association of Realtors, as of 3/31/16

## HOMEOWNERSHIP RATE



Source: FRED, as of 4/1/2016

## NEW & EXISTING HOME SALES



Source: Bloomberg, as of 5/31/16

# U.S. economics – Inflation

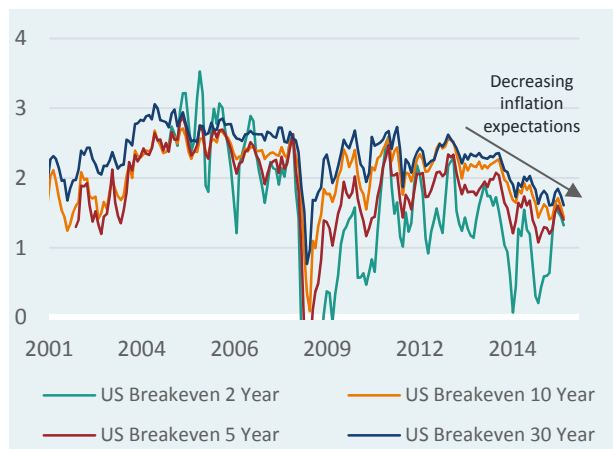
Inflation expectations decreased during the quarter as indicated by the 10yr TIPS Breakeven Rate and the University of Michigan Inflation Expectations Survey.

U.S. CPI rose 1.0% YoY while Core CPI (CPI excluding energy and food prices) sits at 2.2% YoY, as of May. Since differences between CPI and Core CPI are driven by swings in energy and food prices, we can expect CPI and Core CPI to converge once these price effects “roll off” of the CPI calculation.

It is interesting to note that the market is pricing future inflation to be less than the current Core CPI number, which implies investors expect inflation levels to fall from the already below-average level.

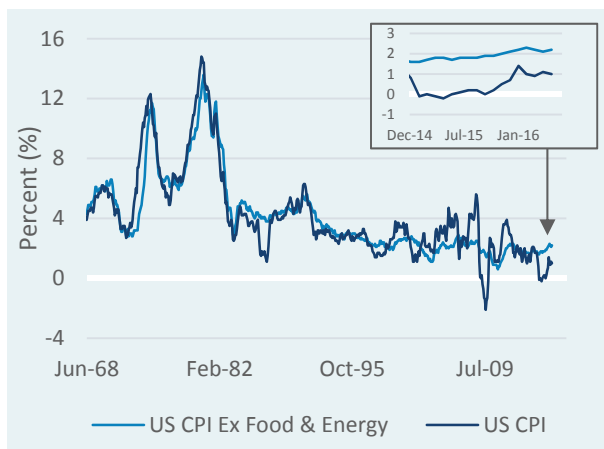
The current environment of very low inflation expectations and cheaper inflation-related assets (priced for inflation to fall further in the future) may offer investors with an underweight to inflation-protecting assets an opportunity to rebalance these assets back to equal-weight.

**US TIPS BREAKEVEN INFLATION**



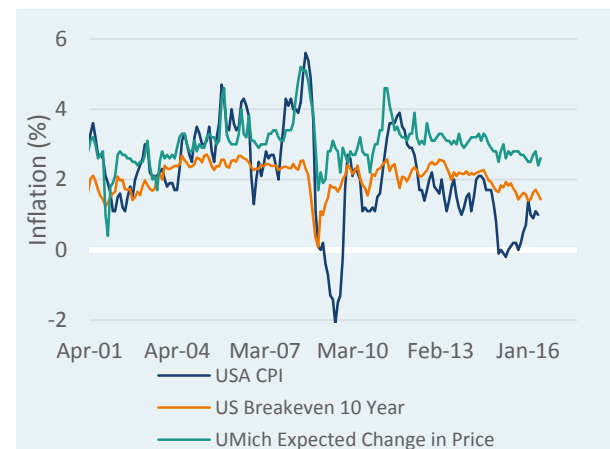
Source: FRED, as of 6/30/16

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



Source: FRED, as of 5/31/16

**MARKET EXPECTATIONS OF INFLATION**



Source: Bloomberg, as of 6/30/16

# International economics summary

- Inflation around the world continued downward, with the U.S. and the Eurozone being an exception. Inflation in the BRICS nations has decreased slightly but remains positive overall at 3.4% YoY.
- The ECB continued aggressive monetary easing. Expanding eligible assets for purchase to include corporate bonds in Europe has further suppressed yields both in sovereign debt and investment grade credit.
- The BOJ maintained existing monetary policy and emphasized their commitment to reach the 2% inflation target despite the disappointing CPI figures printed in the second quarter.
- Western Europe saw inflation rise in June, from just slightly negative to slightly positive. This figure is still far below the ECB's inflation target of just under 2% which could be a catalyst for further more dramatic monetary policy. Some investors are fearful that Brexit could be an additional headwind for inflation going forward.
- Capital continues to flow out of China in record quantities and fixed asset investment growth has decelerated and is below 10% for the first time since year 2000.
- Brazil's annual inflation fell to a new low and the Brazilian economy continues to suffer from political pressures and negative growth.

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	2.1% 3/31/16	1.0% 6/30/16	4.9% 6/30/16
Western Europe	1.7% 3/31/16	0.1% 6/30/16	8.6% 3/31/16
Japan	0.1% 3/31/16	(0.4%) 5/31/16	3.2% 3/31/16
BRIC Nations	4.9% 3/31/16	4.0% 3/31/16	5.1% 3/31/16
Brazil	(5.4%) 3/31/16	8.8% 6/30/16	11.2% 6/30/16
Russia	(3.7%) 12/31/15	7.5% 6/30/16	5.6% 6/30/16
India	7.9% 3/31/16	5.8% 5/31/16	7.1% 12/31/15
China	6.7% 6/30/16	1.9% 6/30/16	4.0% 3/31/16

# International economics

As inflation continues to show signs of slowing and growth estimates are revised further downwards, the ECB and BOJ maintained aggressive expansionary monetary policy. The ECB expanded their asset purchasing program to include investment grade credit, further suppressing yields.

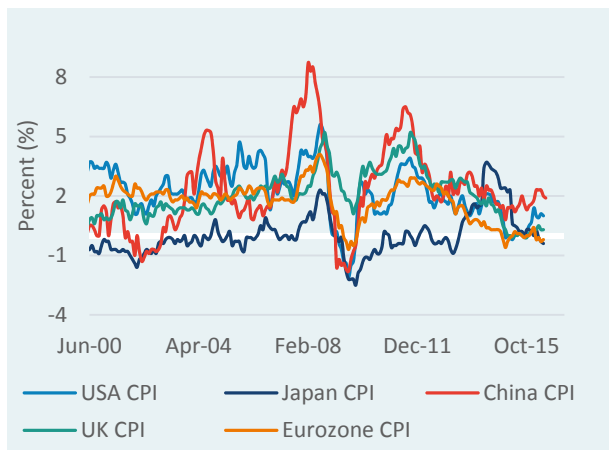
Western Europe has exhibited signs of growth, inflation (rather than deflation), improving manufacturing data, and continuing employment gains. However, with the instability introduced from Brexit, the future outlook is less clear.

China remains a source of uncertainty as capital continues to

flow out of the country. Additionally, fixed asset investment has fallen to a 15 year low. Brazil's annual inflation fell to a new low and the Brazilian economy continues to suffer from lackluster growth and political turmoil.

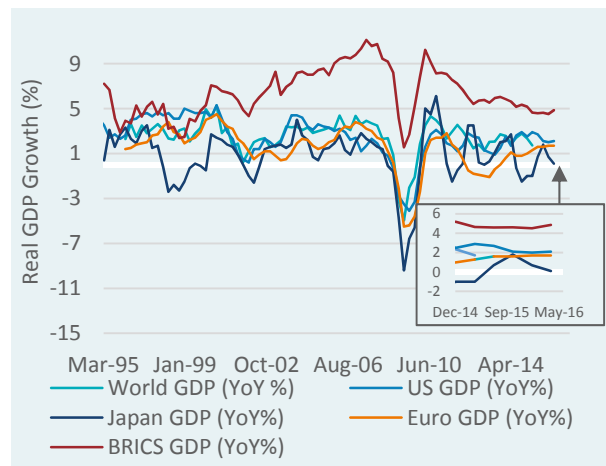
Japan has continued to struggle to generate inflation, though volatile food and energy prices continue to be a headwind to Headline CPI. This has caused Headline CPI to be at the -0.4% YoY level, while CPI Ex Food & Energy is 0.6%. This significant difference makes the failure to achieve inflation more understandable.

## INTERNATIONAL INFLATION



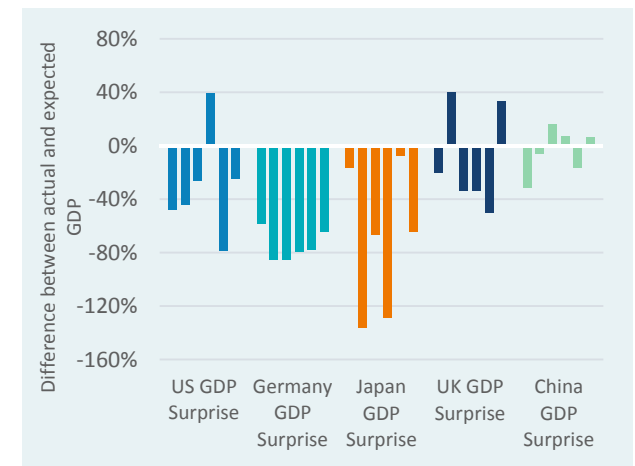
Source: Bloomberg, as of 6/30/16

## REAL GDP GROWTH



Source: Bloomberg, as of 3/31/16

## GDP VS EXPECTATIONS

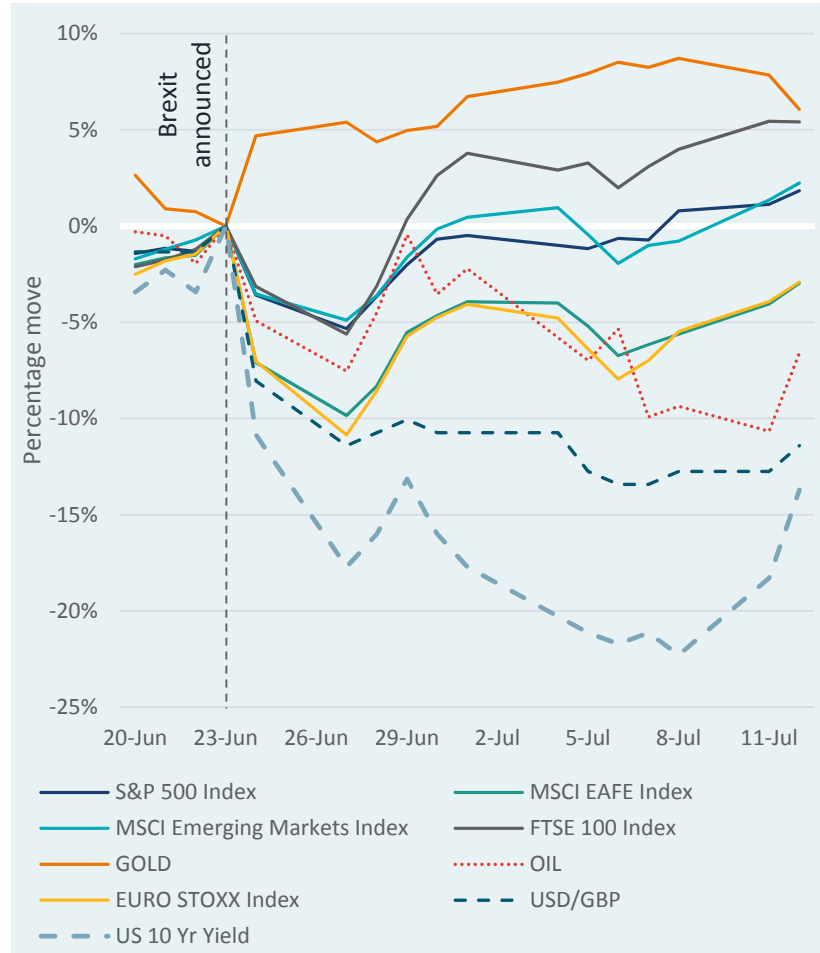


Source: Bloomberg, quarterly Q4 2014 through Q1 2016

# Price reaction following Brexit

Market expectations before the Brexit vote were for a remain vote, and for the markets to react positively to this decision. The actual result was a significant vote for withdrawal. Importantly this vote was not partisan – the heartlands of both major parties voted for leave. There have been immediate and significant impacts including a wholesale change in government. Long term consequences remain to be seen. However, it is interesting to note that most of the predicted bad consequences of a leave vote failed to materialize, with a range of countries already reaching out to create new trade deals, and with companies which had initially threatened they might move from the U.K. backing off those suggestions.

Market reactions were also different than initial expectations. While the pound fell and has remained weak, many other markets have rebounded, and the U.K. has been one of the strongest performers since the vote. As Brexit moves closer, attention is likely to shift to the remaining EU countries. In particular, markets will watch the effect on periphery economies of the removal of U.K. funding and the U.K. voice against centralization.



Markets fell suddenly on the Brexit surprise, but have since recovered losses

Source: Bloomberg, as of 7/11/16



# Fixed income rates & credit

# Interest rate environment

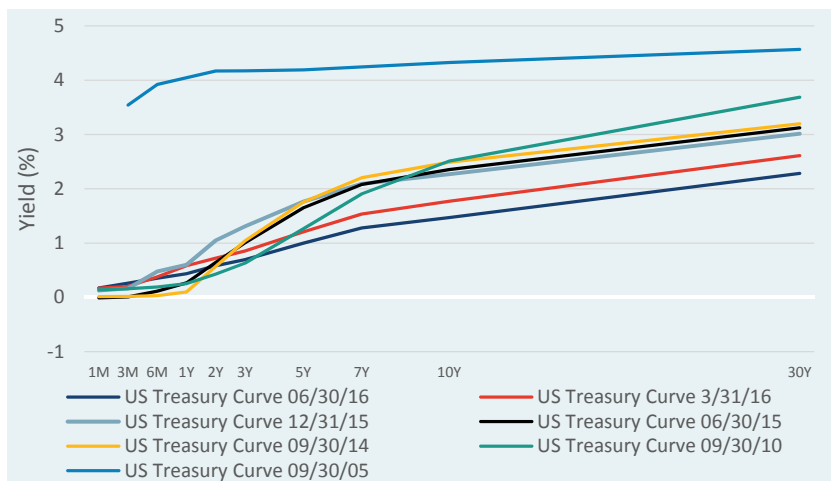
- The U.S. 10 year treasury note traded in a 50 basis point range over the course of the second quarter, touching a record low 1.36% in the first week of July. Risk-off market sentiment following Brexit as well as relatively higher yields compared to European counterparts has substantially increased demand for U.S. bonds.
- Fear following the British referendum encouraged speculation that the ECB and BOJ would further expand existing monetary policy. Investors continue to demand safe haven assets.
- The German and Japanese yield curves both have negative yields out to the 15 year tenor. Additionally, Germany became the second G-7 nation, after Japan, to issue negative yielding instruments, highlighting the willingness of investors to hold high quality instruments with negative yield.
- A third of global government bonds are now trading with a negative yield, accounting for more than \$10 trillion in market value.
- The United States yield curve continues to flatten as economic data stabilizes the fears of rate cuts, pushing the front end higher. Inflation is struggling to gain significant momentum, keeping the back end of the curve relatively low.

Area	Short Term (3M)	10 Year
United States	0.26%	1.47%
Germany	(0.68%)	0.13%
France	(0.57%)	0.18%
Spain	(0.30%)	1.16%
Italy	(0.28%)	1.26%
Greece	3.38%	8.29%
U.K.	0.46%	0.87%
Japan	(0.27%)	(0.22%)
Australia	1.69%	1.98%
China	2.63%	2.86%
Brazil	14.05%	12.06%
Russia	10.21%	8.29%

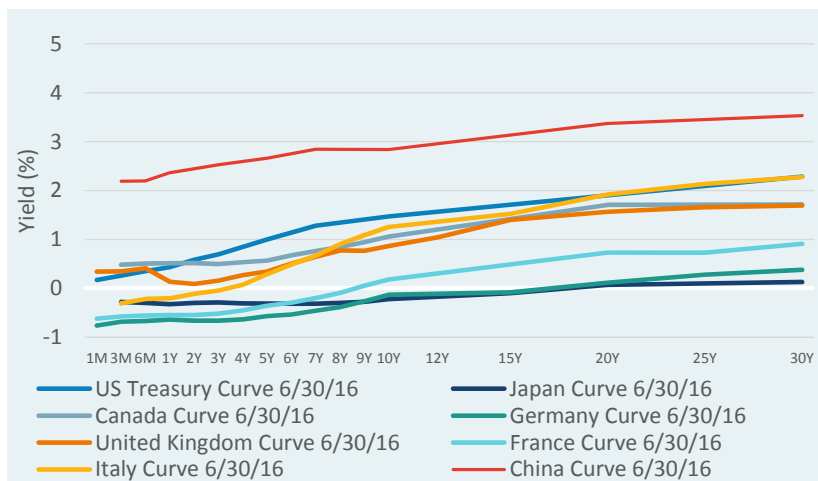
Source: Bloomberg, as of 6/30/16

# Yield environment

U.S. YIELD CURVE

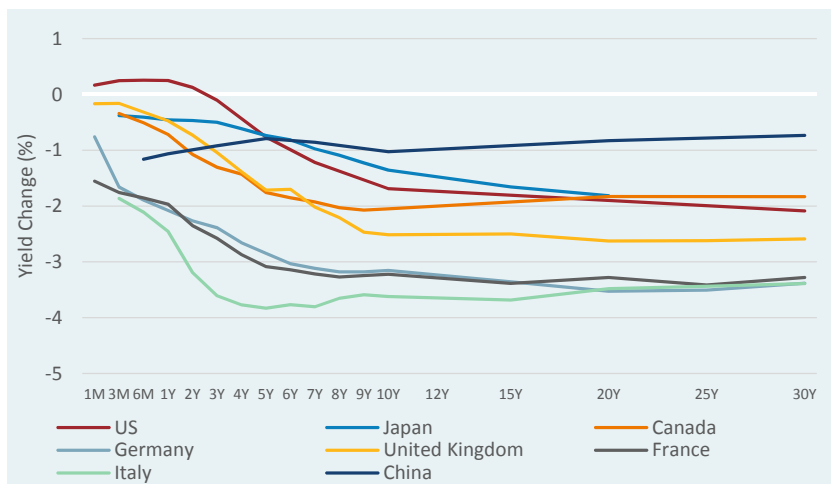


GLOBAL GOVERNMENT YIELD CURVES

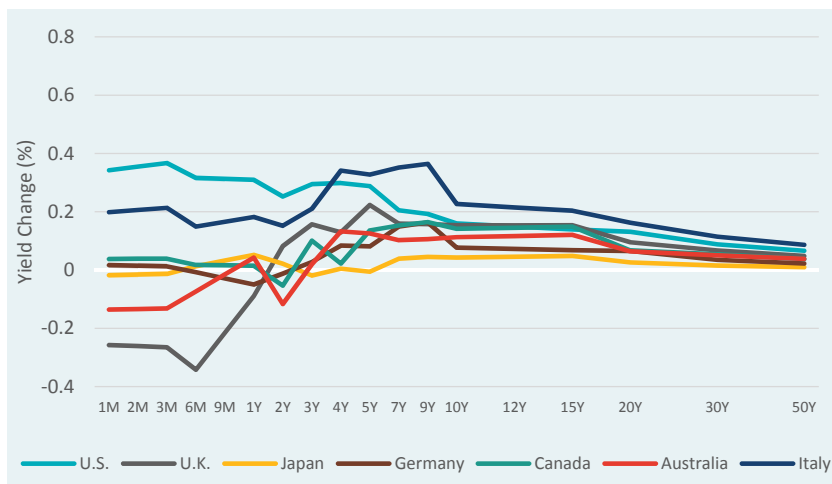


The U.S. yield curve has come down across all major tenors since the end of the fourth quarter

YIELD CURVE CHANGES OVER LAST FIVE YEARS



IMPLIED CHANGES OVER NEXT YEAR



Source: Bloomberg, as of 6/30/16

# Examining the credit cycle

Forecasting turning points in the credit cycle is extremely challenging. However, after examining current characteristics relative to history, data suggests we may be later in the expansion phase. In examining the fundamentals underlying the current cycle, it seems possible that the economy may continue to muddle along for some time. We must be careful when interpreting recent credit market shifts due to oil price-specific fallout in the energy sector.

We do not see traditional credit cycle risks as particularly apparent today, but new economic influences such as

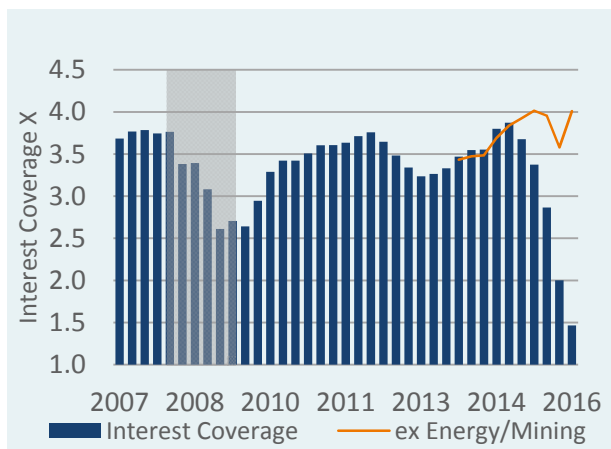
extreme liquidity injections into the markets have led to unique risks. Greater economic leverage has occurred as consumers and businesses exploit record-low interest rates. This environment may be particularly susceptible to a further deceleration in economic growth.

In the current environment we believe it is wise to keep higher on the credit quality spectrum and to maintain liquidity. We will continue to watch the health of the credit markets, as a downturn may present opportunities to pick up attractive yield.

Credit cycle appears to be maturing

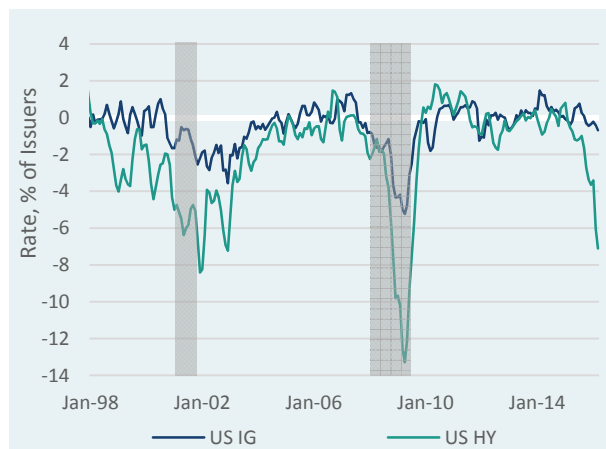
We favor investment grade over higher risk issues

## HIGH YIELD INTEREST COVERAGE



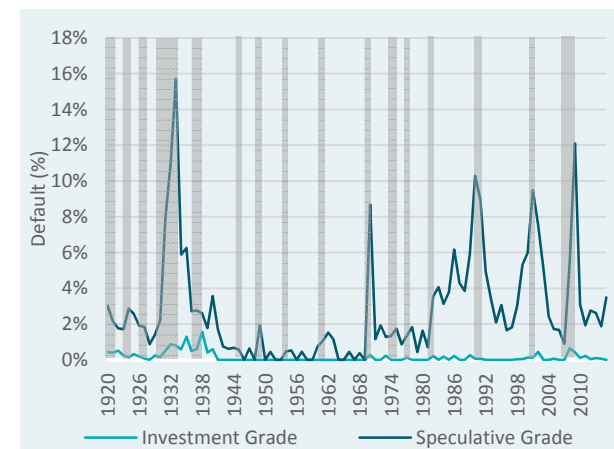
Source: Deutsche Bank, as of 3/31/16  
NOTE: Grey bars represent economic recessions

## CREDIT RATING MIGRATION



Source: BofAML, as of 3/31/16

## ANNUAL DEFAULT RATES



Source: Moody's, as of 2015 year-end

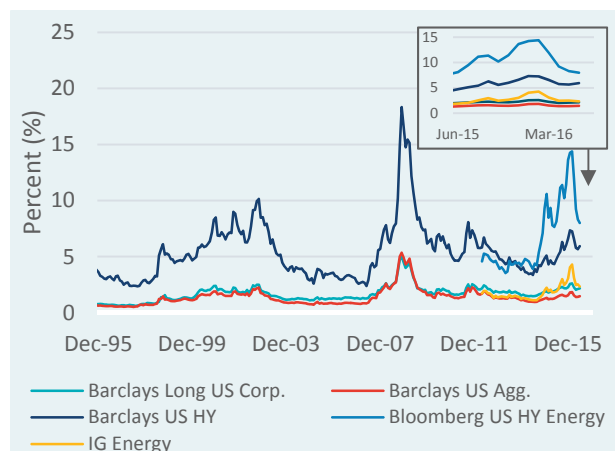
# Credit environment

High yield spreads, and high yield energy spreads in particular, peaked in Q1 but have rallied substantially since that time. High yield spreads have compressed to below 5.5% as of mid-July from a high of 8.9% earlier in the year. High yield energy spreads are now below 8%, from a high of around 15%. The price of oil, along with market risk-on/risk-off sentiment, seems to be guiding the price of riskier credit instruments. We show the oil/high yield relationship below.

Spreads are an important indicator of health across the credit market. Spread levels represent investors' expectations for future borrower defaults and general risk appetite in the markets. Credit market liquidity is also reflected in levels, and since high yield liquidity is very low we should expect additional spread as compensation.

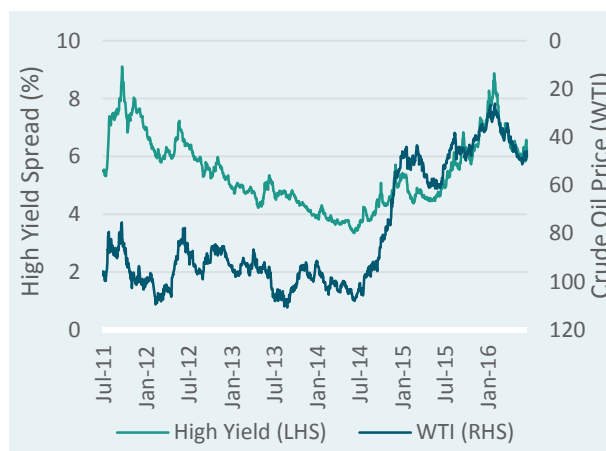
Sensitivity of high yield spreads to oil is much higher in a low oil price environment

## CREDIT SPREADS



Source: Barclays Capital Indices, Bloomberg, as of 6/30/16

## HIGH YIELD SPREADS & OIL



Source: Bloomberg, as of 6/30/16

## SPREADS

Market	Credit Spread (6/30/16)	Credit Spread (1 Year Ago)
Long US Corporate	2.0%	1.9%
US Aggregate	1.0%	1.1%
US High Yield	6.3%	5.3%
US High Yield Energy	8.0%	8.1%
US Bank Loans	3.9%	3.9%

Source: Barclays, Credit Suisse, Bloomberg, as of 6/30/16

# Issuance and default

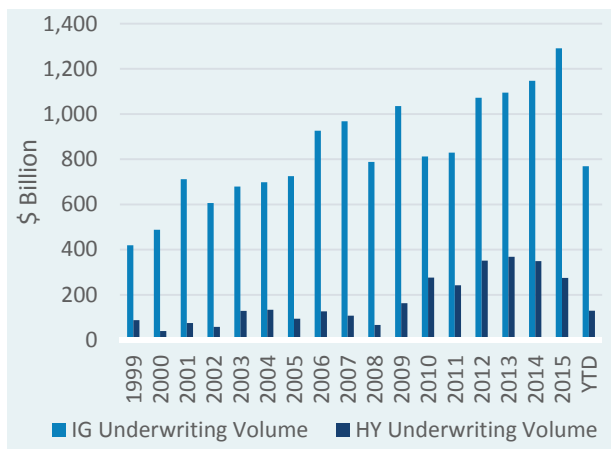
Investment grade debt issuance has trended higher each year since the global financial crisis. The first half of 2016 put the year on track for another record high. Issuance of higher-risk debt seems to have peaked in recent years and is somewhat flat year-to-date.

Lower global GDP growth expectations may put additional pressure on high yield issuance. However, strong flows into the space from investors seeking yield may put a cap on borrowing costs which could allow issuers to more easily restructure balance sheets. Year-

over-year high yield default rates have accelerated, driven by pain in the energy sector. It remains to be seen whether this trend will be halted by the rebound in oil price.

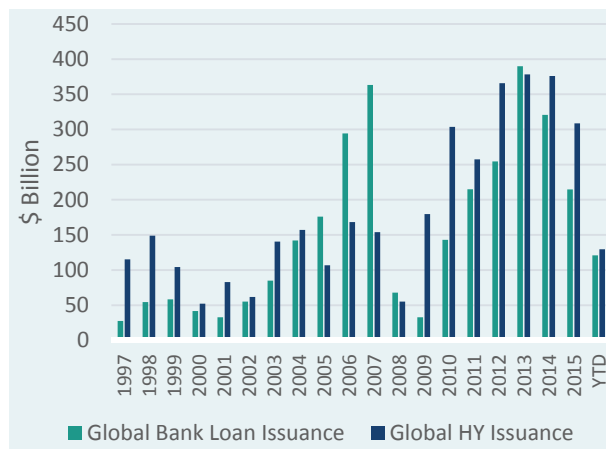
Reduced CLO demand has adversely affected bank loan issuance, which has also tapered off in recent years.

**IG & HIGH YIELD ISSUANCE**



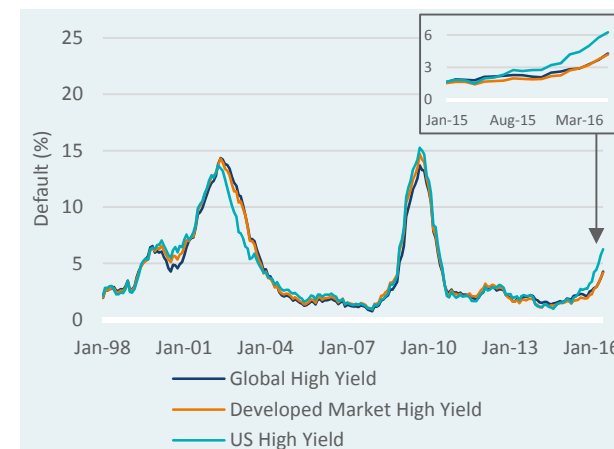
Source: Bloomberg, as of 6/30/16

**BANK LOAN & GLOBAL HY ISSUANCE**



Source: BofA Merrill Lynch Global Research, as of 6/30/16

**HY DEFAULT TRENDS (ROLLING 1 YEAR)**



Source: Credit Suisse, BofA, as of 6/30/16



# Equity

# Equity environment

- Equity market risks continue to appear asymmetrical to the downside.
- U.S. equities fell after the Brexit vote. The S&P 500 dropped by over 100 points in the two trading days following the vote, but managed to recoup its losses by month end. Implied volatility spiked while investors digested the Brexit news. The VIX jumped to 25.8, but fell back to 15.6 to close the month.
- Another quarter of negative earnings is forecast for Q2. According to FactSet, the estimated earnings decline for the S&P 500 is -5.3%.
- Financials (-3.2%) were the worst performing sector in the S&P 500, likely affected by lower interest rate expectations. Telecom services (9.3%) and utilities (7.8%) were the best performing sectors in the index.
- Value stocks delivered strong outperformance relative to growth stocks year-to-date. Russell 1000 Value provided a 6.3% return while Russell 1000 Growth provided 1.4%.
- The U.S. dollar rose 0.5% in Q2 on a trade-weighted basis. Stabilization of the dollar (or at least less appreciation) should have a positive impact on domestic equities in future quarters.

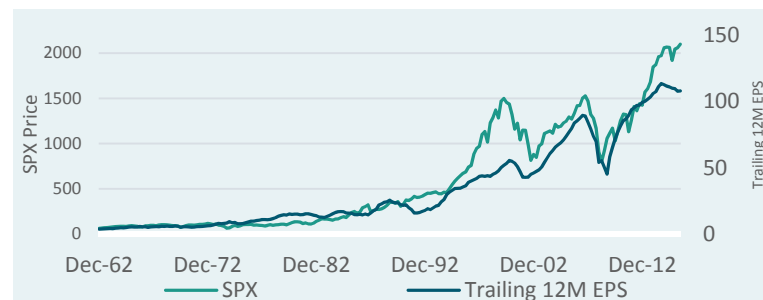
	QTD Total Return (unhedged)	QTD Total Return (hedged)	YTD Total Return (unhedged)	YTD Total Return (hedged)	1 Year Total Return (unhedged)	1 Year Total Return (hedged)
US Large Cap (Russell 1000)	2.5%		3.7%		2.9%	
US Small Cap (Russell 2000)	3.8%		2.2%		(6.7%)	
US Large Value (Russell 1000 Value)	4.6%		6.3%		2.9%	
US Large Growth (Russell 1000 Growth)	0.6%		1.4%		3.0%	
International Large (MSCI EAFE)	(1.5%)	(0.7%)	(4.4%)	(6.9%)	(10.2%)	(9.9%)
Eurozone (Euro Stoxx 50)	(5.1%)	(1.1%)	(8.2%)	(8.5%)	(14.1%)	(13.3%)
U.K. (FTSE 100)	(1.8%)	5.9%	(4.0%)	6.4%	(12.3%)	3.8%
Japan (NIKKEI 225)	1.4%	(7.7%)	(3.4%)	(19.0%)	(7.2%)	(24.0%)
Emerging Markets (MSCI Emerging Markets)	0.7%	0.1%	6.4%	2.6%	(12.1%)	(9.5%)

Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 6/30/16

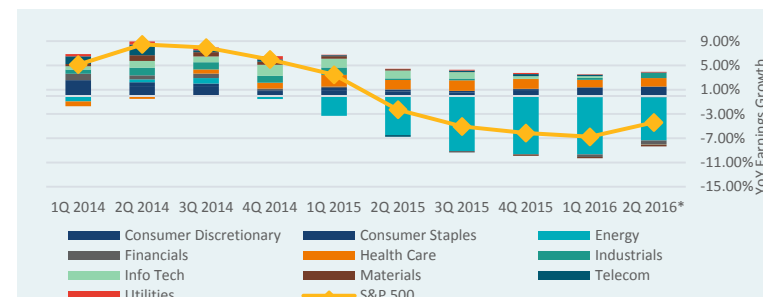
# U.S. earnings recession?

- Corporate earnings typically underpin the value of equities.
- Recent U.S. earnings deterioration can be attributed to the energy sector, though other sectors are also not growing as quickly as in previous quarters.
- A long-term negative relationship can be observed between U.S. dollar appreciation and U.S. corporate earnings.
- We might therefore be careful with the phrase U.S. earnings “recession”, which has cyclical implications. The recent earnings downturn may not, in fact, be cyclical.
- It is important to ask how earnings would react to stability in the U.S. dollar and stability across the energy sector. There may be potential for upside surprise in U.S. earnings over the next year. However, the affects of a stronger dollar will likely be felt for awhile as domestic companies are in a tougher position to compete.

EARNINGS & PRICE LEVEL



EARNINGS RECESSION, OR OIL RECESSION?



EARNINGS TRENDS & USD MOVES



(Top) Source: Standard & Poor's, as of 6/30/16

(Middle) Source: Standard & Poor's, Verus, as of 6/30/16

(Bottom) Source: Standard & Poor's, US Trade Weighted Major Currency, as of 6/30/16

# Domestic equity

U.S. equity markets were range-bound throughout Q2 leading up to Brexit. Following the referendum results, the S&P 500 dropped more than 100 points over two trading days before recouping these losses by quarter-end. The Brexit vote prompted more risk-off sentiment and further reinforced dovish commentary from the Fed amid sharp volatility increases.

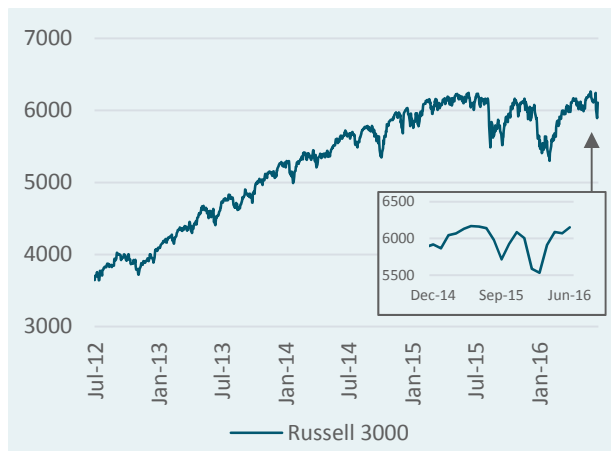
Earnings growth is expected to remain negative for Q2,

which along with flat equity prices has resulted in a rise in valuations. According to Factset, the estimated earnings decline for the S&P 500 is -5.3%. This would mark the fifth consecutive quarter of year-over-year earnings contraction. Stability in the U.S. dollar and the energy sector may provide a solid platform for earnings improvement.

Equity markets shrugged off Brexit

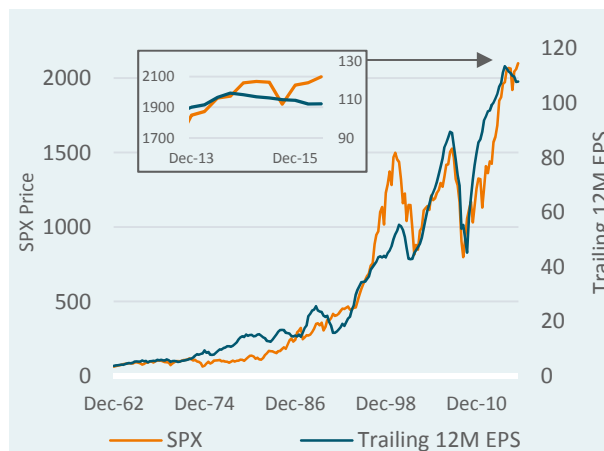
U.S. earnings results will likely dictate the path of equities

## U.S. EQUITIES



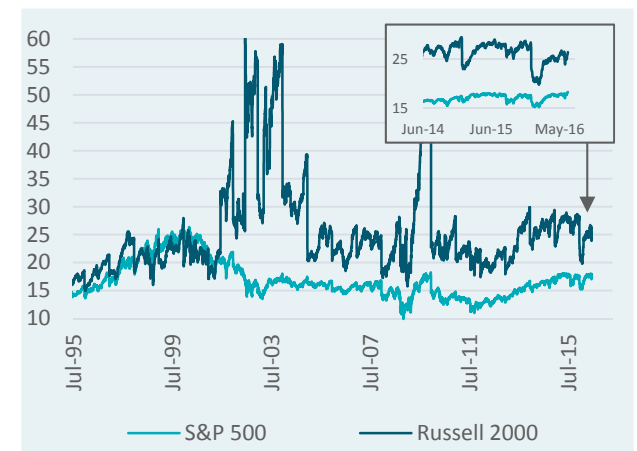
Source: Russell Investments, as of 6/29/16

## S&P 500 EARNINGS



Source: Standard & Poor's, as of 6/30/16

## FORWARD P/E



Source: Standard & Poor's, Russell Investments, as of 6/30/16

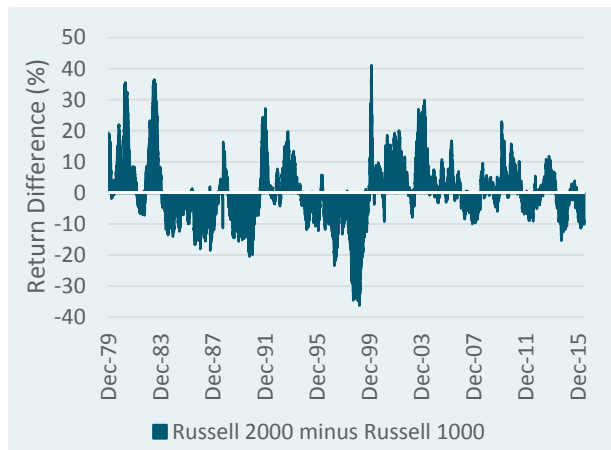
# Domestic equity size and style

Value stocks delivered strong outperformance relative to growth stocks year-to-date. Russell 1000 Value provided a 6.3% return while Russell 1000 Growth provided 1.4%.

Large cap equities outperformed small cap for the first time in four months as the Russell 1000 Index and Russell 2000 Index returned 0.2% and -0.1%, respectively. Besides the current quarter, the Russell

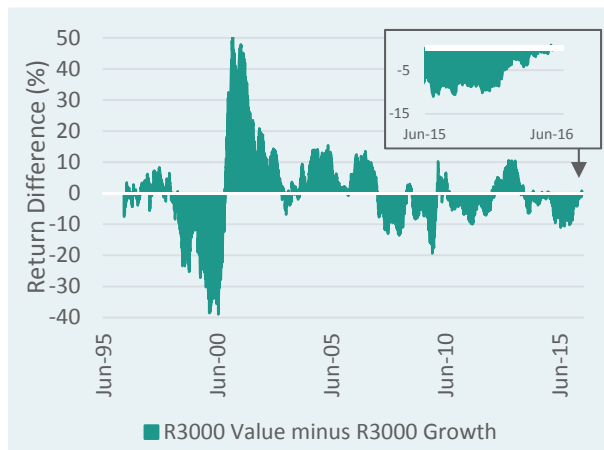
1000 Index has outperformed the Russell 2000 Index on an absolute and risk-adjusted basis in every time period examined over the last 20 years. The relative P/E ratio of small to large cap equities at the end of June was 2.01, well above its long-term average of 1.38, suggesting that despite weak recent performance small cap stocks remain relatively overvalued.

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



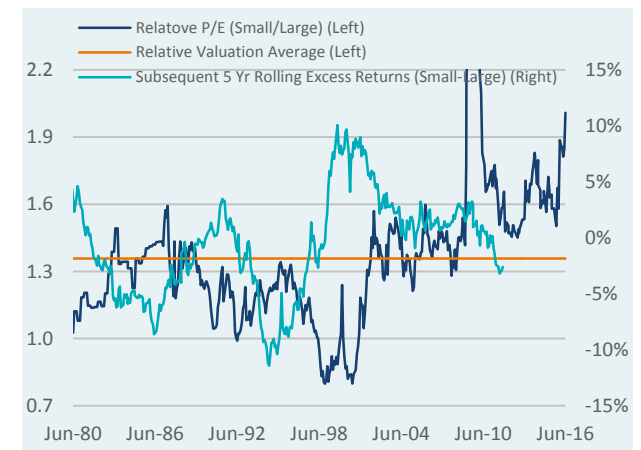
Source: Russell Investments, as of 6/29/16

**VALUE VS GROWTH (YOY)**



Source: Russell Investments, as of 6/29/16

**RELATIVE P/E RATIO (SMALL VS LARGE)**



Source: Russell, Bloomberg, as of 6/30/16

# Death of the value premium?

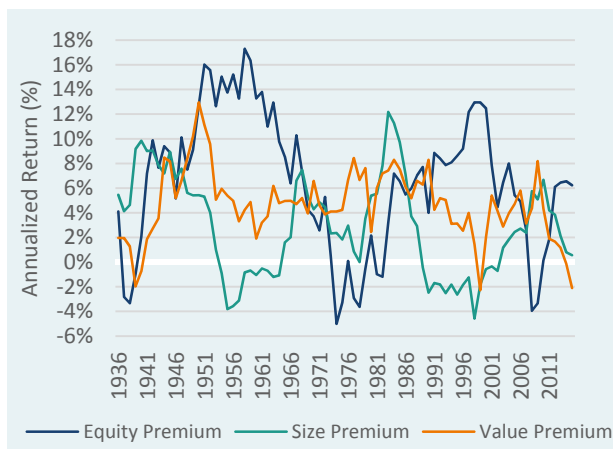
U.S. value equities have underperformed U.S. growth equities over the past 1-, 3-, 5-, 7-, and 10-year periods. Longer-term underperformance in the U.S. occurred two other times in the past 89 years, but value bounced back shortly thereafter. This topic of interest paper may be found on our website [verusinvestments.com](http://verusinvestments.com).

In recent research, we tested the value premium from three angles: First, how dependable has the value premium been through time, and how does this compare to other recognized risk premia? Second, have

unique macro forces contributed to value performance in recent years, and if so do we believe those macro forces affect the long-term efficacy of value? Third, what are the philosophical underpinnings of value and has anything changed?

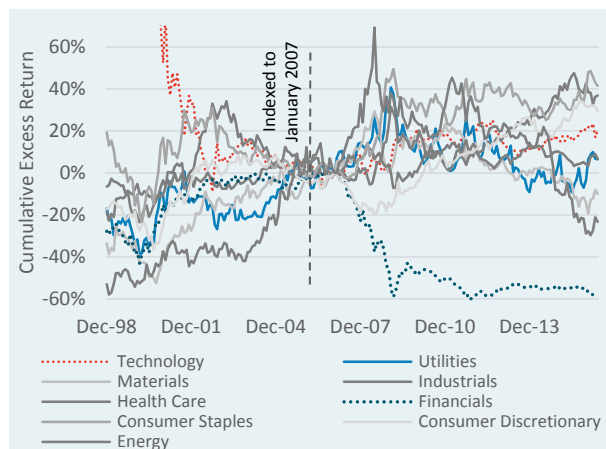
The results of these tests suggest value investors should stay on course. For those investors comfortable with more tactical timing decisions, now may be a good time to begin tilting towards a value allocation.

## 20YR ROLLING PERFORMANCE



Source: Kenneth French's Data Library, as of 12/31/15

## FINANCIAL SECTOR PERFORMANCE\*



Source: Standard & Poor's, as of 5/31/16

\*Sector returns net of market return (S&P 500 TR)

## FINANCIAL SECTOR EXPLANATORY POWER



Source: Standard & Poor's, 2015 year-end, annual data since 1974

# International equity

The U.K.'s unexpected decision to leave the European Union in its June 23rd referendum caused a wave of volatility throughout the global financial markets. Brexit resulted in \$3 trillion in global equity market losses in two days as investors reacted to the surprise; however, most markets recouped these losses by the end of the quarter.

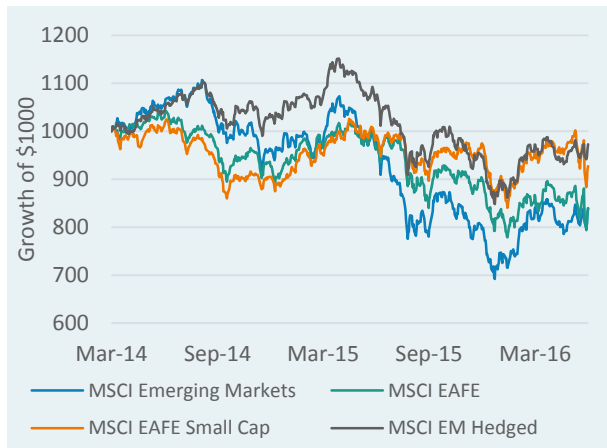
European banks also felt pain following Brexit, illuminating concerns of a disruption to the European

financial sector. The Euro Stoxx 600 Bank Index is yet to recover, trading over 10% below pre-Brexit levels.

International developed markets (MSCI EAFE, -1.5%) underperformed emerging markets (MSCI EM, 0.7%) in the second quarter. Comparatively the S&P 500 returned 2.5% during the quarter.

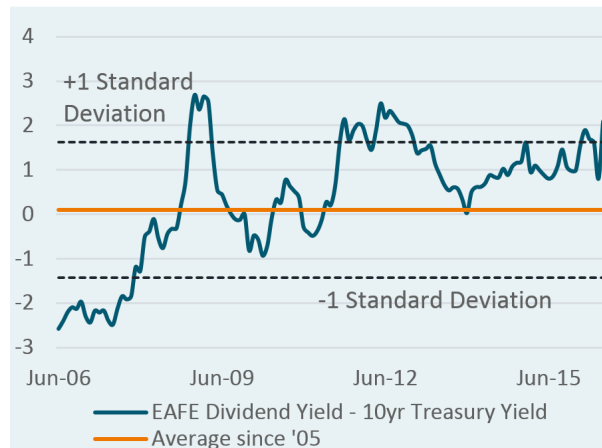
Currency movement continues to have severe impacts on unhedged international equity exposure.

## GLOBAL EQUITY PERFORMANCE



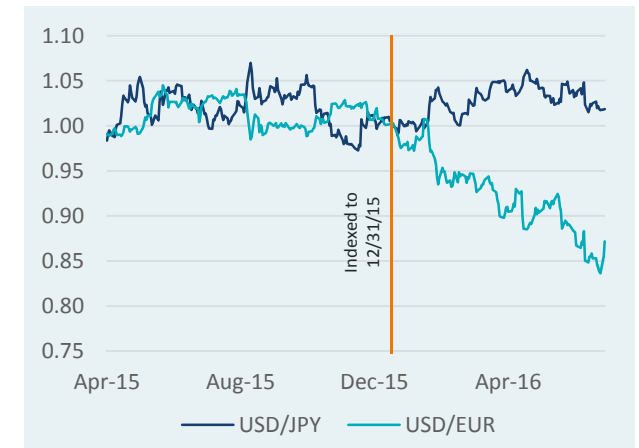
Source: MSCI, as of 6/30/16

## EQUITY YIELD LESS BOND YIELD



Source: MSCI, as of 6/30/16

## USD/EUR, USD/YEN



Source: MSCI, as of 7/12/16



# Emerging market equity

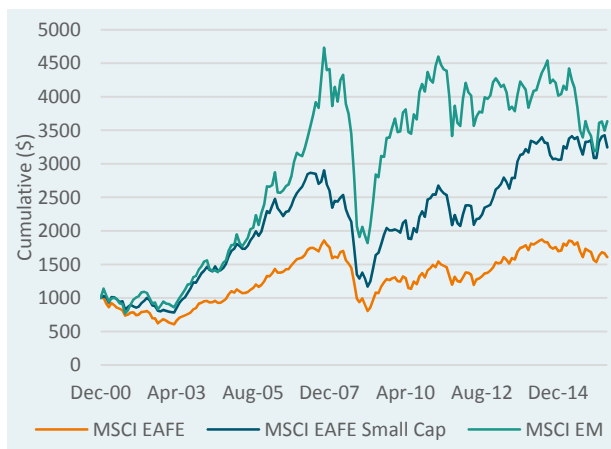
Higher commodity prices provided a tailwind for emerging market equities, which outperformed international developed markets during the quarter. Latin America was the best performing region driven by strong returns in Brazil and Peru equity markets. The hope of political reform in Brazil due to the impending impeachment of president Dilma Rousseff has provided a boost to Brazilian equities.

MSCI denied the inclusion of China's domestic A Shares in its global benchmarks for a third straight year. The

index provider said that although China has made positive steps in opening up its markets, significant obstacles to free fund movement remain.

Expectations of further accommodative central bank policies following Brexit and continued low yields in developed markets should help emerging market fund flows as higher yielding investment options remain limited. Furthermore, expectations for a more gradual pace of Fed rate hikes should help keep borrowing costs lower in emerging markets.

## LONG TERM PERFORMANCE



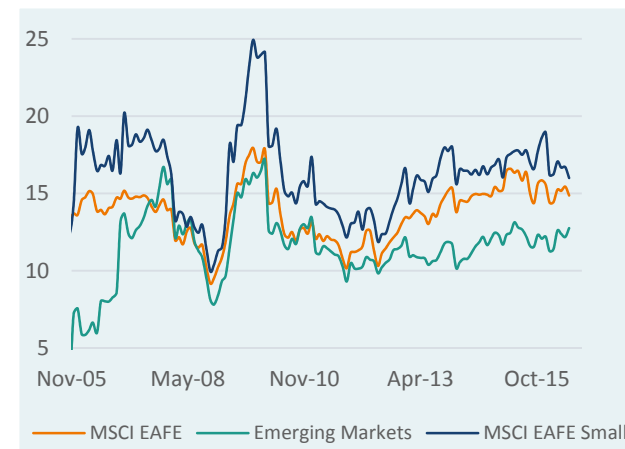
Source: MSCI, as of 6/30/16

## ROLLING 3 YEAR RETURN



Source: MSCI, as of 6/30/16

## FORWARD P/E



Source: MSCI, as of 6/30/16

# Equity valuations

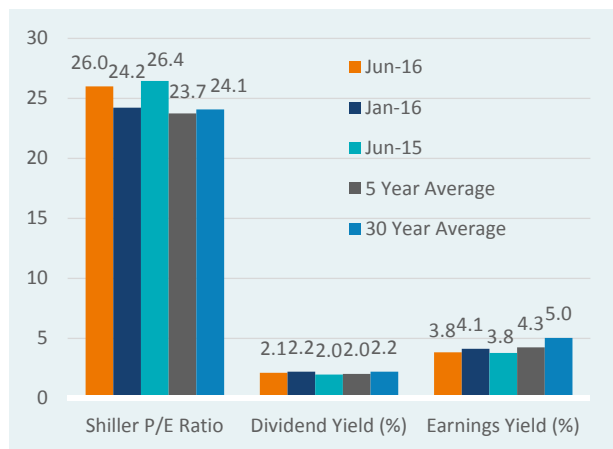
Domestic equity valuations remain above average. Large cap U.S. equity trailing P/E is modestly above the long-term average (18.8 vs. 16.4 over 62 years), while small cap U.S. equities are substantially above the long-term average (33.3 vs. 26.3 over 38 years).

International developed market valuations (MSCI EAFE) in aggregate remain roughly normal relative to history on a trailing P/E basis, but very cheap (9<sup>th</sup> percentile) on a Shiller P/E basis. Emerging market equities (MSCI EM)

are cheap, but as we have discussed recently this may be due to widely acknowledged fundamental problems. An active management approach is recommended.

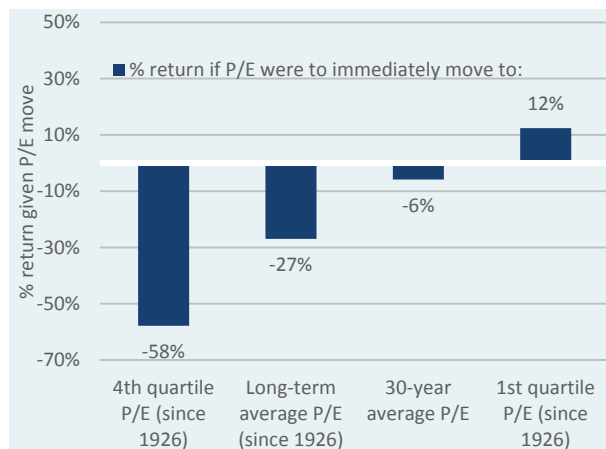
In the current low interest rate environment we should likely expect equity valuations to be above the long-term average. As yields across asset classes fall, the price investors are willing (or forced) to pay for risk assets is higher. This causes complications in understanding whether equities are truly overvalued.

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



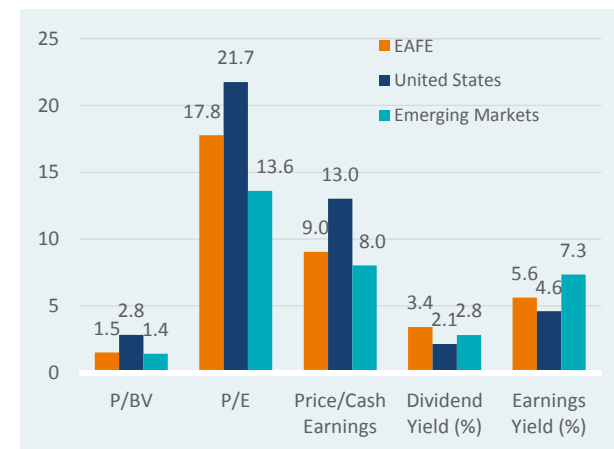
Source: Yale/Shiller, as of 6/30/16

## RETURNS IF P/E MOVED TO HISTORIC LEVEL



Source: Yale/Shiller, Verus

## MSCI VALUATION METRICS (3 MONTH AVERAGE)



Source: MSCI, as of 6/30/16

# Equity volatility

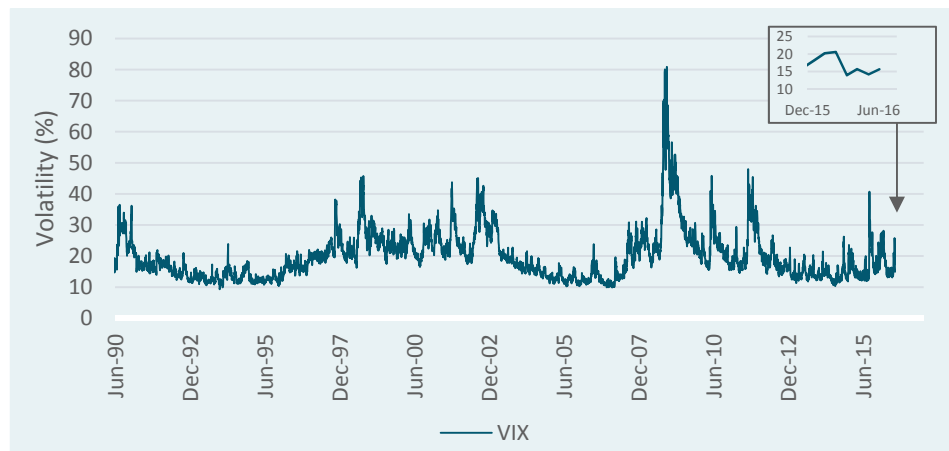
Despite muted volatility levels for much of the second quarter, the end of June brought significant turmoil, particularly in European stock markets. In the weeks leading up to the Brexit referendum, poll results were extremely close and the outcome was unpredictable. This gave investors concern, not only for the implications it would have for the U.K. and Europe, but also for peripheral countries.

Implied volatility spiked while investors digested the

Brexit news. The VIX jumped to 25.8, but fell back to 15.6 to close the month. With quantity and timing of Federal Reserve rate hikes in question, the instability catalyzed by Brexit helped reduce the possibility of a rate hike, calming domestic investors.

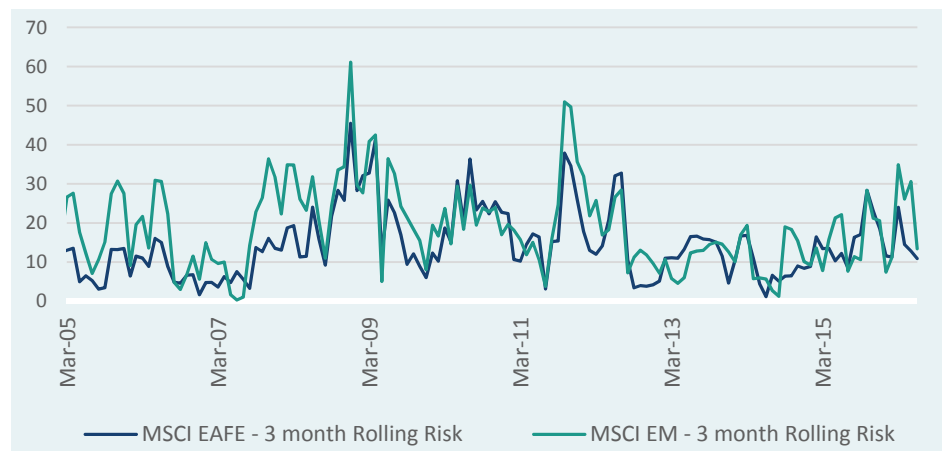
Markets may experience higher than normal levels of volatility as political uncertainty remains high both internationally and within the U.S.

## U.S. EQUITY VOLATILITY



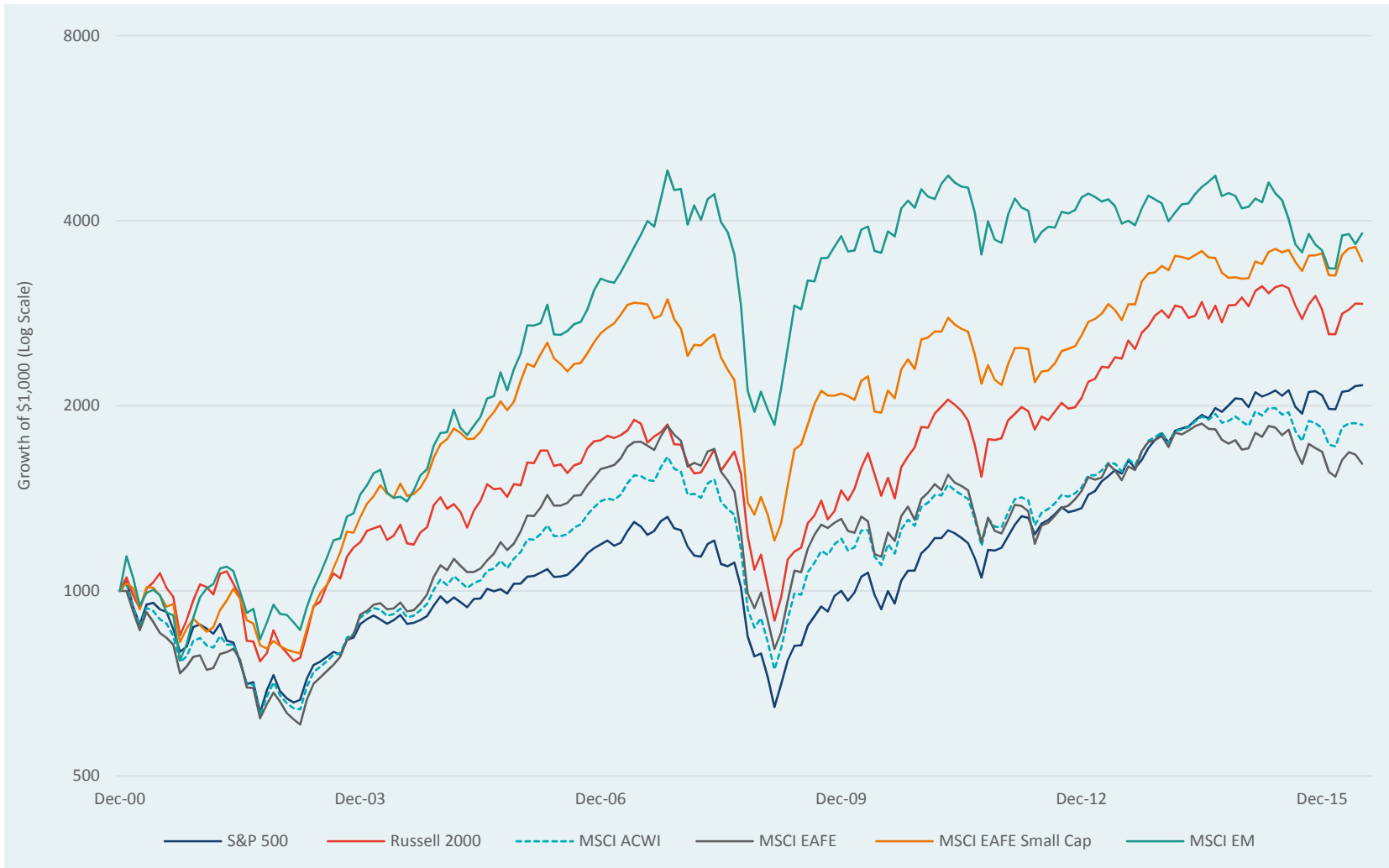
Source: CBOE, as of 6/30/16

## INTERNATIONAL EQUITY VOLATILITY



Source: MSCI, as of 6/30/16

# Long-term equity performance



U.S. equities have remained flat for nearly two years

Intl. developed and emerging market equities are down materially over the same period

Source: MPI, as of 6/30/16

# Other assets

# Other asset volatility

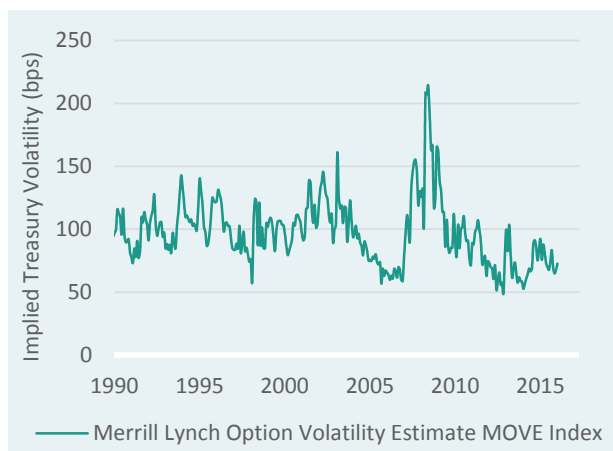
Volatility was relatively low throughout most of the quarter. However, speculation leading up to the June Brexit vote and the surprising outcome generated higher market volatility, especially in the currency markets. Demand for safe haven assets helped strengthen the yen and dollar against the pound and caused a spike in gold prices.

Oil volatility rose slightly during the quarter as prices continued higher. U.S. oil production and inventories have declined steadily over recent weeks, but overall

inventory levels remain very high. Rig counts have recently increased, suggesting production may be coming back on line.

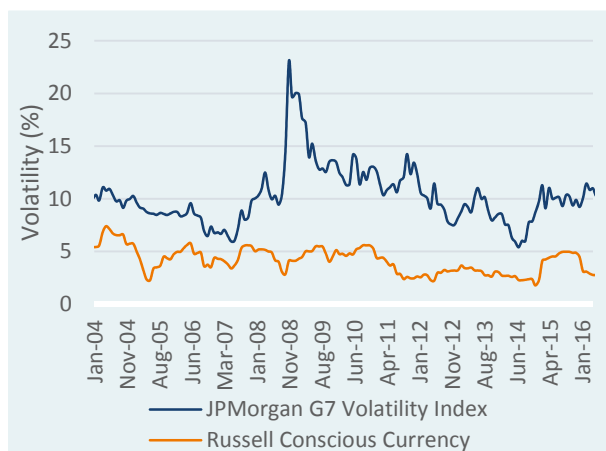
Fixed income implied volatility rose during the quarter but remains below average. Brexit caused sovereign yields to plunge due to demand for safety and increased expectations of accommodative monetary policies. Market expectations of a more gradual pace of interest rate hikes has helped keep short term fixed income risk low.

## FIXED INCOME VOLATILITY



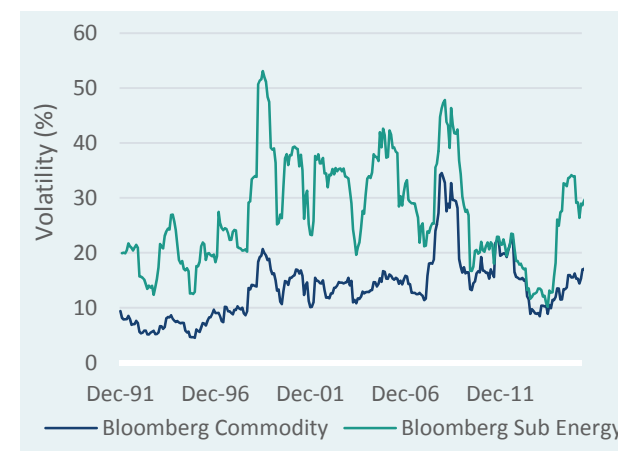
Source: Merrill Lynch, as of 6/30/16 (see Appendix)

## FX VOLATILITY



Source: JP Morgan, Russell Investments, as of 6/30/16

## COMMODITY VOLATILITY



Source: Bloomberg, as of 6/30/16

# Hedge funds

Hedge fund performance has been underwhelming, which has led to much debate regarding the continued role of these strategies in portfolios.

The demise of hedge funds may be exaggerated. Four problems often persist:

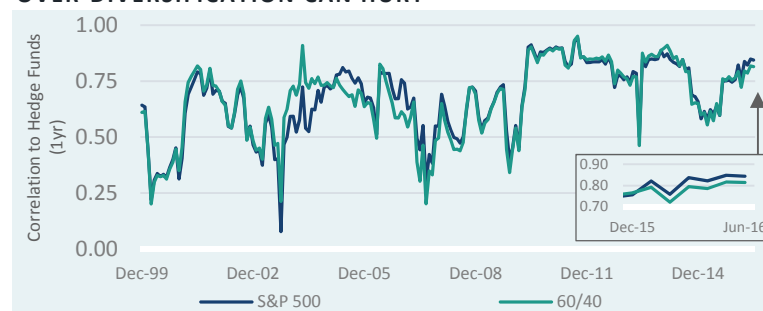
- **What ARE hedge funds?** – Hedge fund strategies typically involve trading public market assets in a proprietary manner. This means that when underlying public markets are performing poorly hedge funds should be expected to perform less well.
- **Misaligned expectations** – Hedge funds can generally be thought of to *diversify* the portfolio or *enhance returns*.
- **Improper attribution** – Investors should understand what types of hedge funds they hold, and what these hedge funds should be expected to deliver. Evaluate performance accordingly, and over a longer horizon.
- **Over-diversification** – Overly diversified/complicated hedge fund portfolios should be expected to take on more “market-like” performance profiles.

An appropriately designed hedge fund exposure can be a useful component of an investment portfolio, but investors should be careful to ensure that they know why they have the exposures that they do.

## DIVERSIFICATION VALUE VARIES DRASTICALLY BY STRATEGY



## OVER-DIVERSIFICATION CAN HURT



## YOU GET (RETURN) WHAT YOU GIVE (RISK)



(Top) Source: MPI, HFRI FoF Composite Index, 3-year correlation, as of 6/30/16

(Middle) Source: MPI, 60/40 portfolio (S&P 500/BC Agg), as of 6/30/2016

(Bottom) Source: MPI, HFRI FoF, Composite Index, as of 6/30/16



# Currency

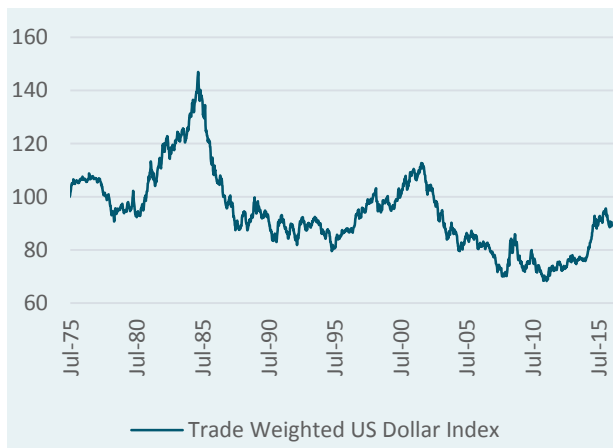
The U.S. dollar rose 0.5% in Q2 on a trade-weighted basis. Stabilization of the dollar should have a positive impact on corporate earnings in future quarters.

While U.S. investors have been harshly penalized in recent years for holding unhedged international equity exposure, these effects have moderated on a one-year basis. Though forecasting currency movements in an incredibly complex and difficult task, differences in interest rates and currency exchange prices indicate that U.S. investors might expect a positive return from

foreign currency exposure over the longer-term (interest rate parity). As discussed in recent quarters U.S. dollar moves can be somewhat arbitrarily driven by central bank actions which impact interest rates and exchange rate movement.

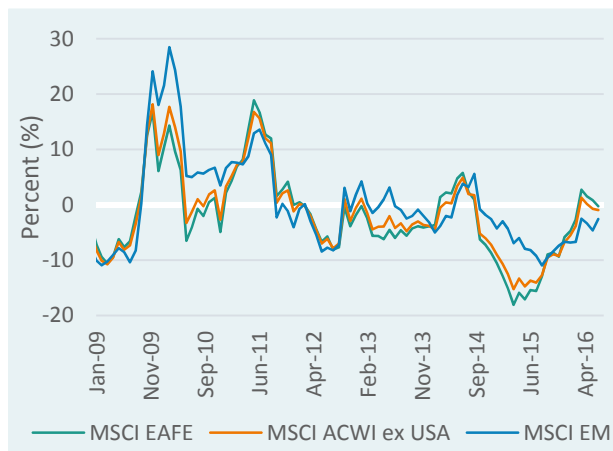
Currency indices are available which provide more accurate representations of true currency market investment. One such index, the Russell Conscious Currency Index, showed sharply positive currency returns in recent months.

**LONG-TERM TRADE WEIGHTED USD**



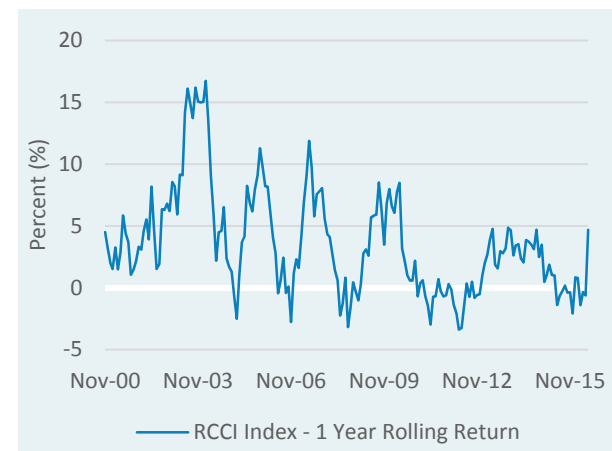
Source: FRED, as of 7/01/16

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



Source: MSCI, as of 6/30/16

**CURRENCY MARKET BEHAVIOR**



Source: Russell Investments, as of 6/30/16

# Appendix

# Periodic table of returns – June 2016

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD	5-Year	10-Year
Commodities	74.8	16.6	38.4	23.2	35.2	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	10.1	13.3	12.3	8.8
Emerging Markets Equity	32.9	8.1	37.8	23.1	32.9	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	6.4	11.9	7.6
Large Cap Value	26.3	6.4	37.2	22.4	31.8	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	6.3	11.9	7.5
Small Cap Value	23.8	4.4	31.0	21.6	30.5	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	6.1	11.4	7.1
US Bonds	19.3	3.2	28.5	21.4	22.4	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	5.3	8.5	6.2
60/40 Global Portfolio	18.9	2.6	25.7	16.5	16.2	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	4.4	8.4	6.1
Large Cap Equity	18.1	0.4	19.6	14.4	13.9	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	3.7	8.1	5.2
Small Cap Equity	13.4	-1.5	18.5	11.3	12.9	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	2.2	4.1	5.1
Real Estate	10.2	-1.8	15.2	10.3	10.6	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	2.2	3.8	4.6
Large Cap Growth	9.7	-2.0	11.6	9.9	9.7	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	1.4	1.7	3.5
Cash	3.1	-2.4	11.1	6.4	5.2	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	0.1	1.7	1.6
Small Cap Growth	2.9	-2.9	7.5	6.0	2.1	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	-1.6	0.1	1.6
Hedge Funds of Funds	1.4	-3.5	5.7	5.1	-3.4	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	-2.4	-3.8	0.9
International Equity	-1.1	-7.3	-5.2	3.6	-11.6	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	-4.4	-10.8	-5.6

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

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BC Agg, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BC Global Bond. NCREIF Property performance data as of 3/31/16.

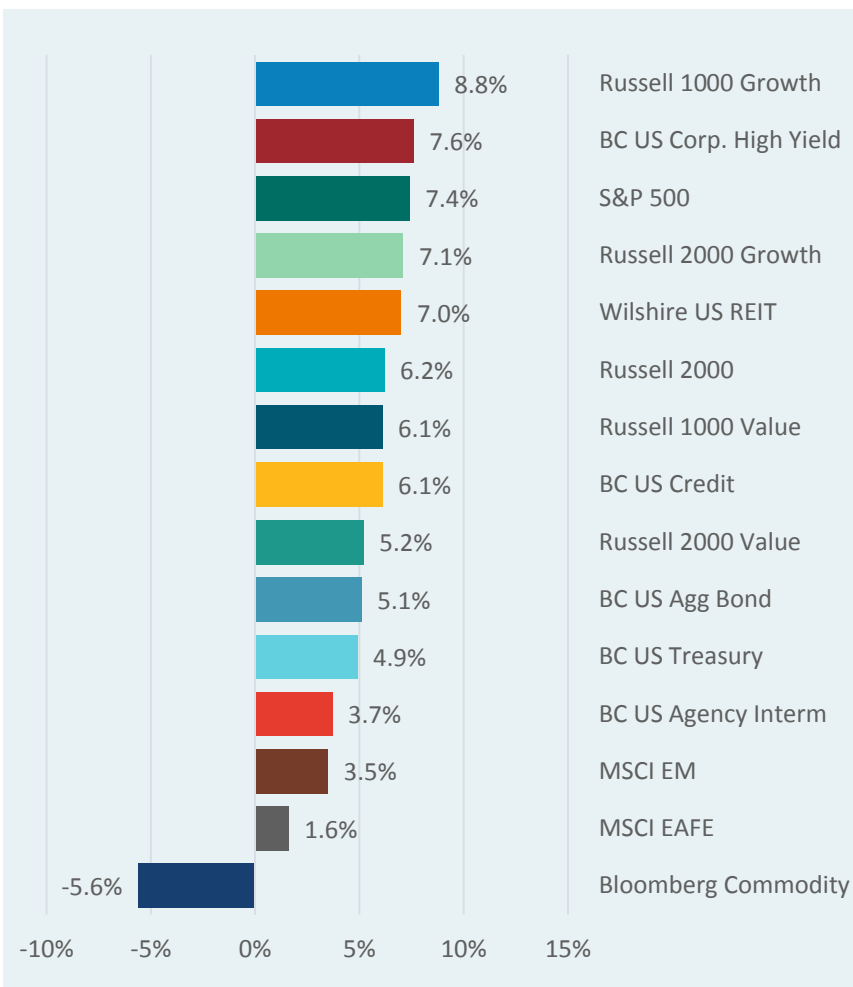
# Major asset class returns

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/16

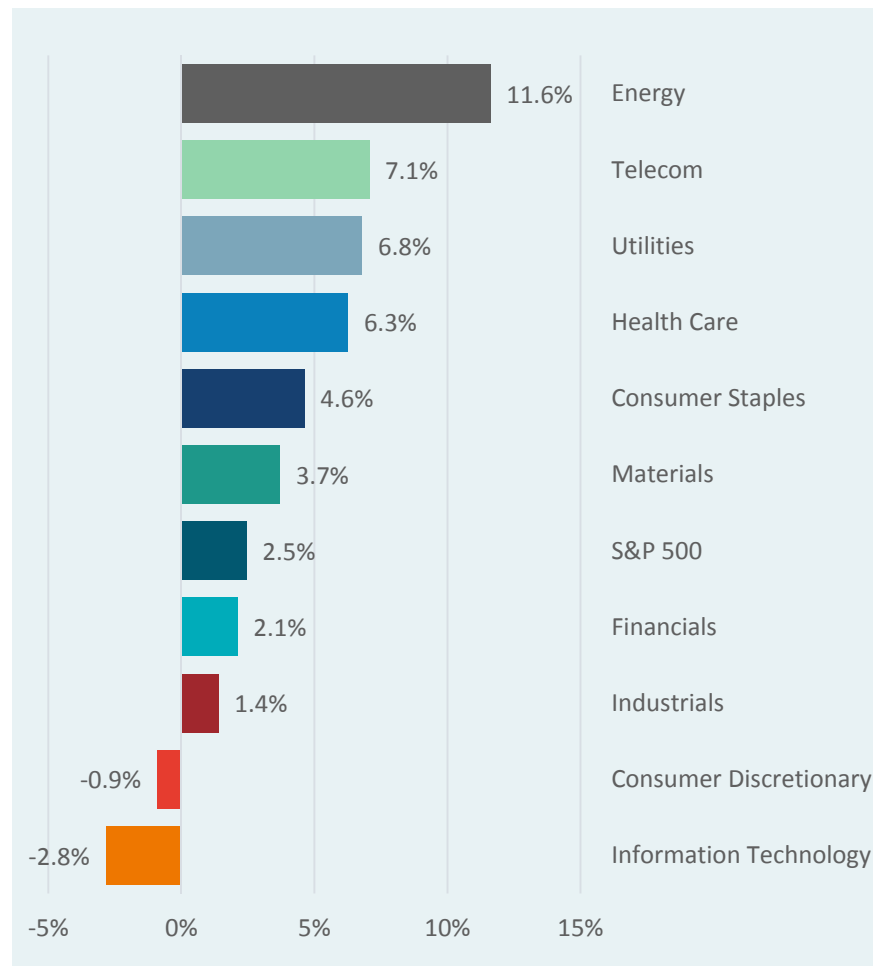
TEN YEARS ENDING JUNE



Source: Morningstar, as of 6/30/16

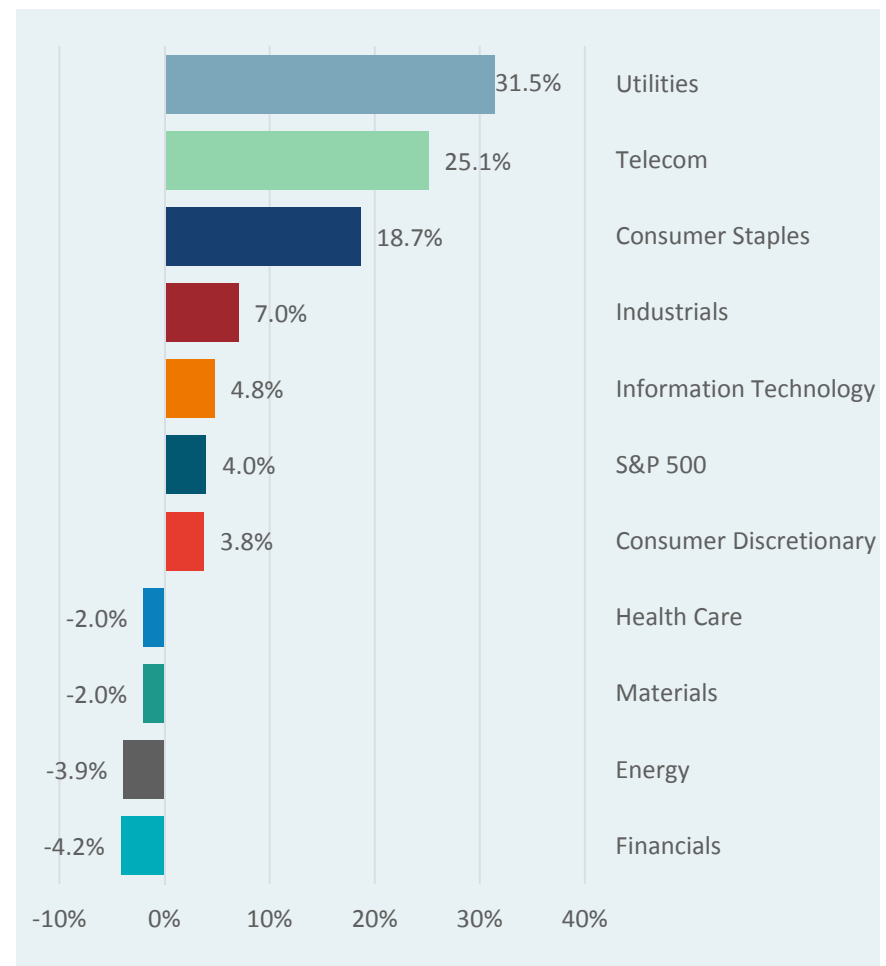
# S&P 500 and S&P 500 sector returns

QTD



Source: Morningstar, as of 6/30/16

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/16

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	0.3	2.5	3.8	4.0	11.7	12.1	7.4
S&P 500 Equal Weighted	(0.1)	2.7	5.8	2.7	11.6	11.9	8.7
DJ Industrial Average	0.9	2.1	4.3	4.5	9.0	10.4	7.7
Russell Top 200	0.1	2.3	3.0	4.0	11.8	12.3	7.3
Russell 1000	0.2	2.5	3.7	2.9	11.5	11.9	7.5
Russell 2000	(0.1)	3.8	2.2	(6.7)	7.1	8.4	6.2
Russell 3000	0.2	2.6	3.6	2.1	11.1	11.6	7.4
Russell Mid Cap	0.5	3.2	5.5	0.6	10.8	10.9	8.1
<b>Style Index</b>							
Russell 1000 Growth	(0.4)	0.6	1.4	3.0	13.1	12.3	8.8
Russell 1000 Value	0.9	4.6	6.3	2.9	9.9	11.4	6.1
Russell 2000 Growth	(0.5)	3.2	(1.6)	(10.8)	7.7	8.5	7.1
Russell 2000 Value	0.3	4.3	6.1	(2.6)	6.4	8.1	5.2

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI EAFE	(3.4)	(1.5)	(4.4)	(10.2)	2.1	1.7	1.6
MSCI AC World ex US	(1.5)	(0.6)	(1.0)	(10.2)	1.2	0.1	1.9
MSCI EM	4.0	0.7	6.4	(12.1)	(1.6)	(3.8)	3.5
MSCI EAFE Small Cap	(5.3)	(2.6)	(3.2)	(3.7)	7.3	4.8	3.6
<b>Style Index</b>							
MSCI EAFE Growth	(1.8)	(0.1)	(2.2)	(4.8)	4.2	3.2	2.9
MSCI EAFE Value	(5.0)	(2.8)	(6.6)	(15.4)	(0.1)	0.1	0.2
<b>Regional Index</b>							
MSCI UK	(3.6)	(0.7)	(3.1)	(12.1)	0.7	1.7	1.4
MSCI Japan	(2.5)	1.0	(5.6)	(8.9)	2.7	4.2	0.1
MSCI Euro	(6.3)	(5.0)	(7.4)	(12.8)	1.7	(1.0)	0.1
MSCI EM Asia	2.8	0.3	2.2	(12.2)	1.8	(0.6)	5.3
MSCI EM Latin American	11.4	5.3	25.5	(7.6)	(8.3)	(10.1)	2.3

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
BC US Treasury US TIPS	2.1	1.7	6.2	4.4	2.3	2.6	4.7
BC US Treasury Bills	0.1	0.1	0.2	0.3	0.1	0.1	1.1
BC US Agg Bond	1.8	2.2	5.3	6.0	4.1	3.8	5.1
<b>Duration</b>							
BC US Treasury 1-3 Yr	0.6	0.5	1.4	1.3	1.0	0.8	2.5
BC US Treasury Long	6.1	6.4	15.1	19.3	10.5	10.3	8.8
BC US Treasury	2.2	2.1	5.4	6.2	3.5	3.5	4.9
<b>Issuer</b>							
BC US MBS	0.8	1.1	3.1	4.3	3.8	3.0	5.0
BC US Corp. High Yield	0.9	5.5	9.1	1.6	4.2	5.8	7.6
BC US Agency Interm	0.8	0.7	2.3	2.5	2.0	1.8	3.7
BC US Credit	2.3	3.5	7.5	7.6	5.3	5.2	6.1

## OTHER

<b>Index</b>							
Bloomberg Commodity	4.1	12.8	13.3	(13.3)	(10.6)	(10.8)	(5.6)
Wilshire US REIT	6.5	5.6	11.1	22.8	13.6	12.5	7.0
<b>Regional Index</b>							
JPM EMBI Global Div	3.4	5.0	10.3	9.8	7.2	6.5	8.0
JPM GBI-EM Global Div	5.9	2.7	14.0	2.0	(3.6)	(2.2)	5.7

Source: Morningstar, as of 6/30/16

# Definitions

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

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

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

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

# Notices & disclosures

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# Stanislaus County Employees' Retirement Association

Investment Performance Review

Period Ending: June 30, 2016



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SEATTLE 206-622-3700

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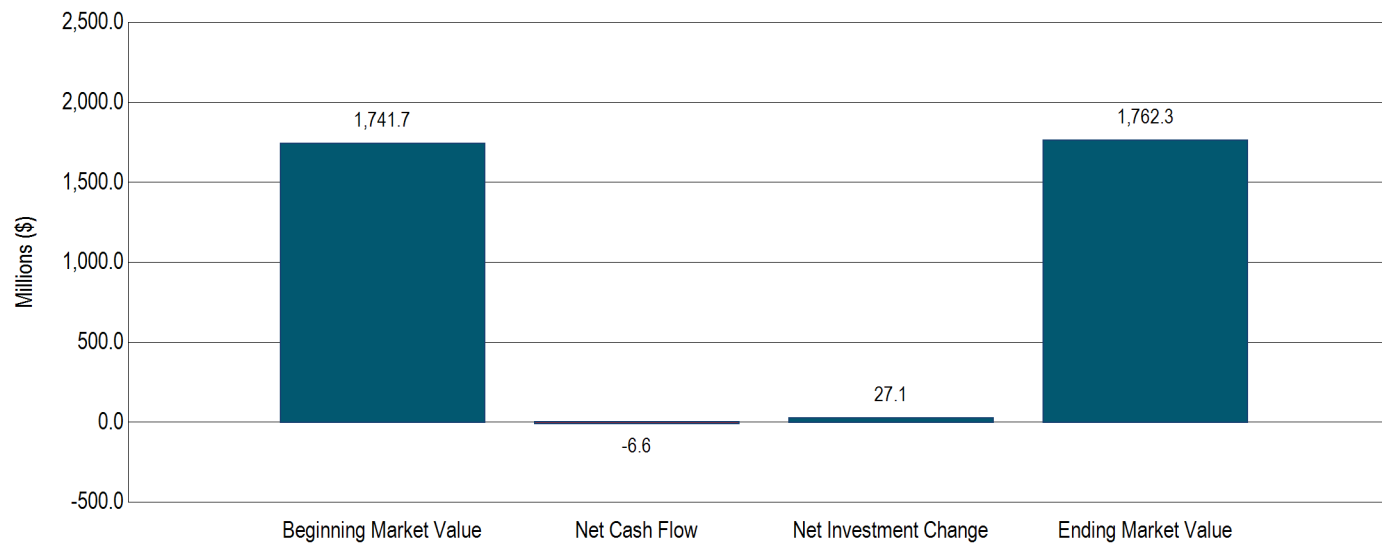
# Total Fund Portfolio Reconciliation

Period Ending: June 30, 2016

## Portfolio Reconciliation

	Last Three Months	Year-To-Date
Beginning Market Value	\$1,741,737,451	\$1,754,035,445
Net Cash Flow	-\$6,588,400	-\$15,430,669
Net Investment Change	\$27,147,485	\$23,691,760
Ending Market Value	\$1,762,296,536	\$1,762,296,536

## Change in Market Value Last Three Months

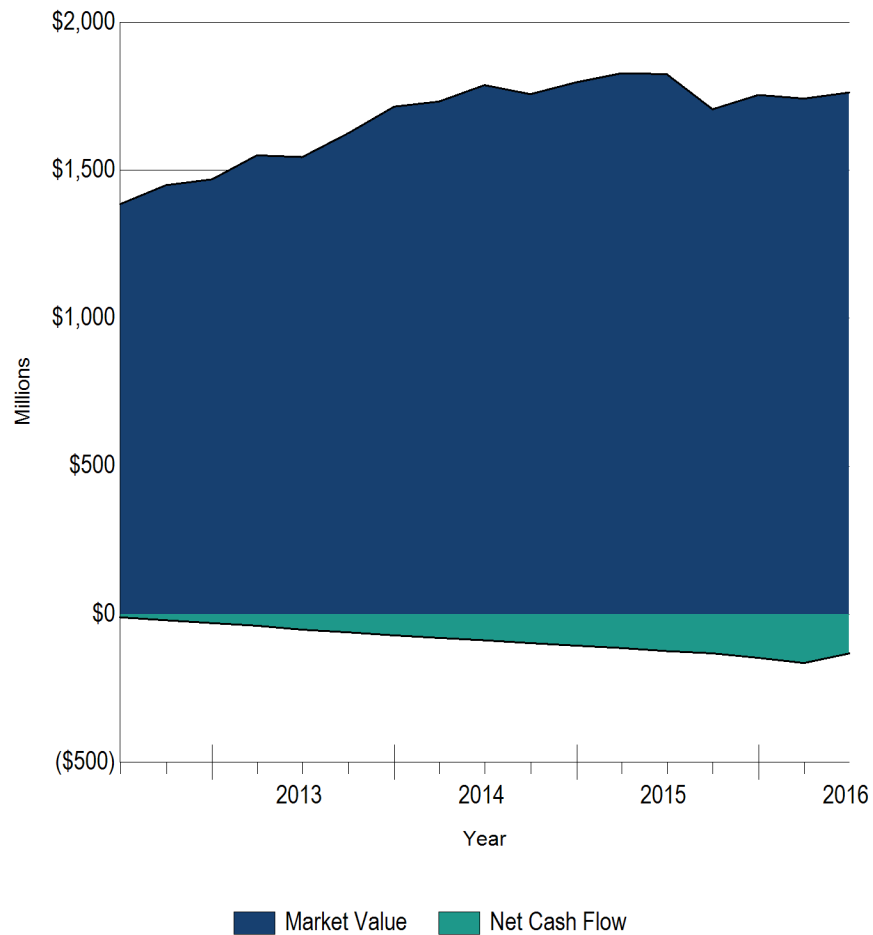


Contributions and withdrawals may include intra-account transfers between managers/funds.

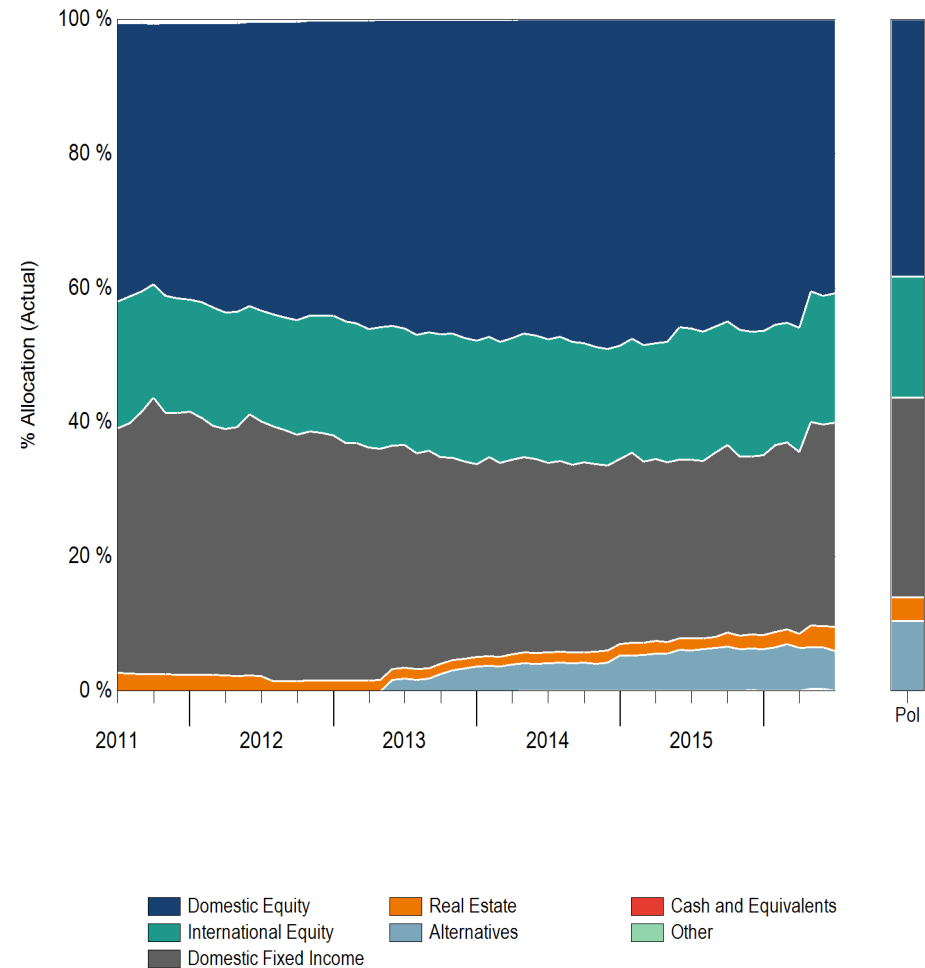
# Total Fund Asset Allocation History

Period Ending: June 30, 2016

Market Value History  
Cumulative Cash Flows

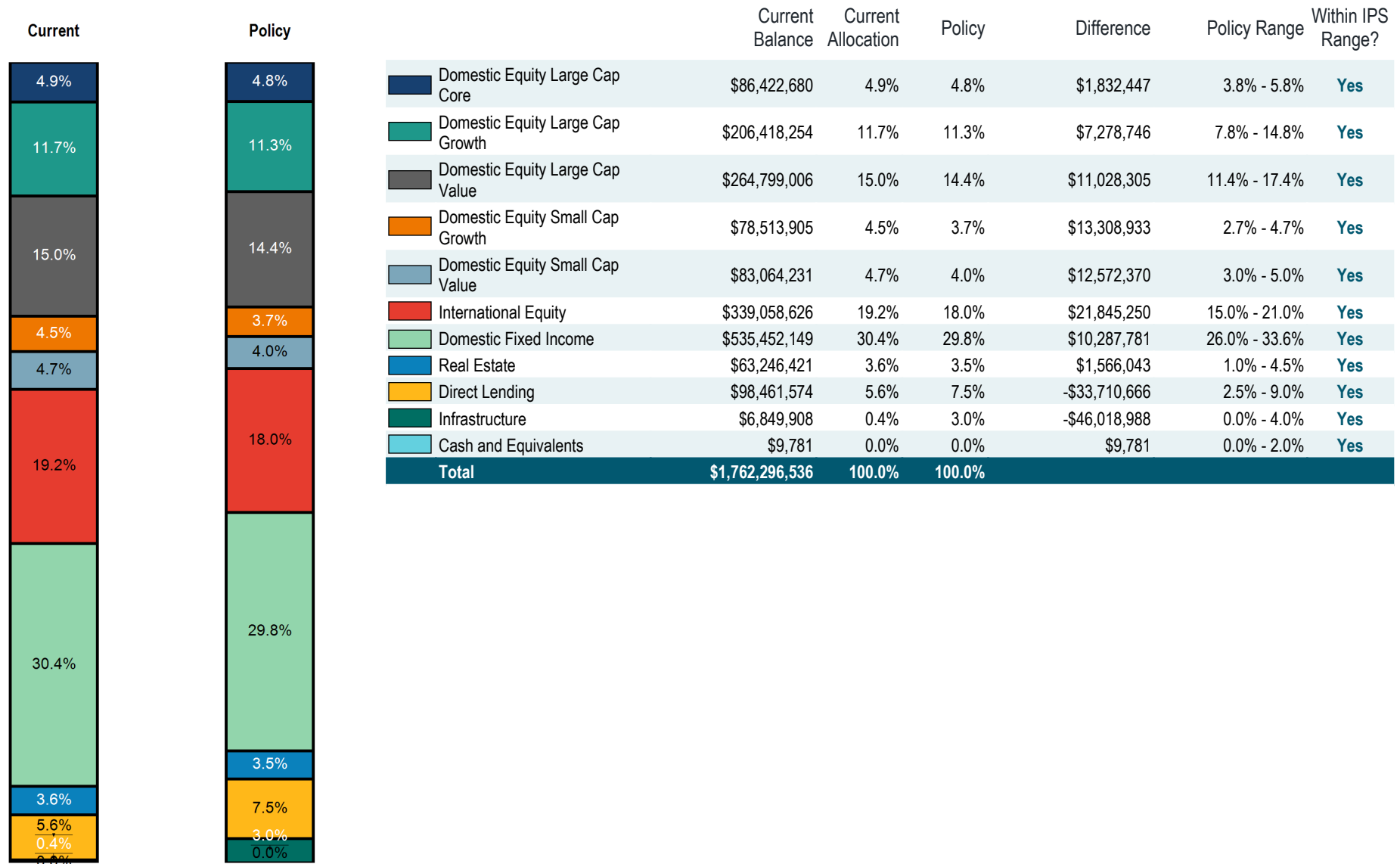


Asset Allocation History



# Total Fund Asset Allocation vs. Policy

Period Ending: June 30, 2016

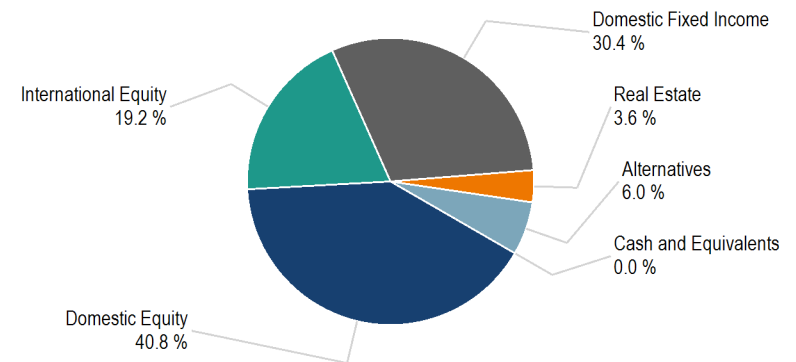


# Total Fund Executive Summary (Gross of Fees)

Period Ending: June 30, 2016

	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
<b>Total Fund</b>	<b>1.6</b>	<b>1.5</b>	<b>-1.3</b>	<b>6.7</b>	<b>7.0</b>	<b>6.0</b>
Policy Index	2.2	3.8	2.2	7.0	7.0	6.2
InvestorForce Public DB Gross Rank	76	93	86	39	26	29
<b>US Equity</b>	<b>2.0</b>	<b>0.4</b>	<b>-2.6</b>	<b>9.9</b>	<b>11.2</b>	<b>6.6</b>
US Equity Blended	2.8	3.4	1.0	10.6	11.2	7.5
Russell 3000	2.6	3.6	2.1	11.1	11.6	7.4
InvestorForce All DB US Eq Gross Rank	73	88	86	70	37	80
<b>International Equity</b>	<b>-0.7</b>	<b>-1.8</b>	<b>-10.2</b>	<b>2.0</b>	<b>1.3</b>	<b>2.8</b>
MSCI ACWI ex USA Gross	-0.4	-0.7	-9.8	1.6	0.6	2.3
InvestorForce All DB ex-US Eq Gross Rank	59	66	68	60	56	37
<b>US Fixed Income</b>	<b>2.6</b>	<b>5.3</b>	<b>5.2</b>	<b>4.5</b>	<b>4.5</b>	<b>6.1</b>
Barclays Aggregate	2.2	5.3	6.0	4.1	3.8	5.1
InvestorForce All DB US Fix Inc Gross Rank	50	55	50	43	50	41
<b>Real Estate</b>	<b>3.1</b>	<b>5.8</b>	<b>14.2</b>	<b>13.4</b>	<b>6.5</b>	<b>--</b>
DJ US Select RESI	5.4	10.8	22.7	13.5	11.2	--
<b>Direct Lending</b>	<b>0.3</b>	<b>0.8</b>	<b>4.1</b>	<b>8.1</b>	<b>--</b>	<b>--</b>
9% Annual	2.2	4.4	9.0	9.0	--	--
<b>Infrastructure</b>	<b>0.0</b>	<b>5.8</b>	<b>12.7</b>	<b>--</b>	<b>--</b>	<b>--</b>
CPI + 5%	2.5	4.4	6.1	--	--	--

Current Allocation



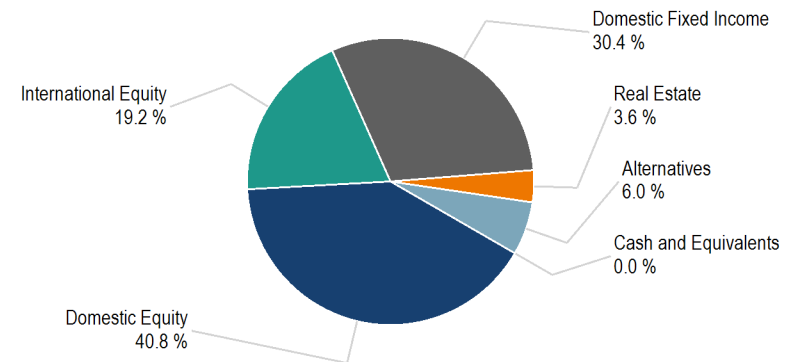
Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. Medley, Greenfield and MS Infrastructure fund market values are as of 3/31/2016 adjusted for any calls and distributions in 2Q 2016. Raven Capital and Raven Opportunity fund III market values are preliminary.

# Total Fund Executive Summary (Net of Fees)

Period Ending: June 30, 2016

	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
<b>Total Fund</b>	<b>1.5</b>	<b>1.3</b>	<b>-1.7</b>	<b>6.3</b>	<b>6.6</b>	<b>5.7</b>
<i>Policy Index</i>	2.2	3.8	2.2	7.0	7.0	6.2
<b>US Equity</b>	<b>1.9</b>	<b>0.3</b>	<b>-2.9</b>	<b>9.6</b>	<b>10.9</b>	<b>6.3</b>
<i>US Equity Blended</i>	2.8	3.4	1.0	10.6	11.2	7.5
<i>Russell 3000</i>	2.6	3.6	2.1	11.1	11.6	7.4
<b>International Equity</b>	<b>-0.8</b>	<b>-2.1</b>	<b>-10.7</b>	<b>1.6</b>	<b>0.9</b>	<b>2.3</b>
<i>MSCI ACWI ex USA Gross</i>	-0.4	-0.7	-9.8	1.6	0.6	2.3
<b>US Fixed Income</b>	<b>2.6</b>	<b>5.2</b>	<b>5.0</b>	<b>4.3</b>	<b>4.3</b>	<b>6.0</b>
<i>Barclays Aggregate</i>	2.2	5.3	6.0	4.1	3.8	5.1
<b>Real Estate</b>	<b>3.0</b>	<b>5.3</b>	<b>12.7</b>	<b>12.4</b>	<b>5.3</b>	<b>--</b>
<i>DJ US Select RESI</i>	5.4	10.8	22.7	13.5	11.2	--
<b>Direct Lending</b>	<b>0.1</b>	<b>-0.1</b>	<b>2.4</b>	<b>5.1</b>	<b>--</b>	<b>--</b>
<i>9% Annual</i>	2.2	4.4	9.0	9.0	--	--
<b>Infrastructure</b>	<b>0.0</b>	<b>4.4</b>	<b>7.0</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>CPI + 5%</i>	2.5	4.4	6.1	--	--	--

Current Allocation



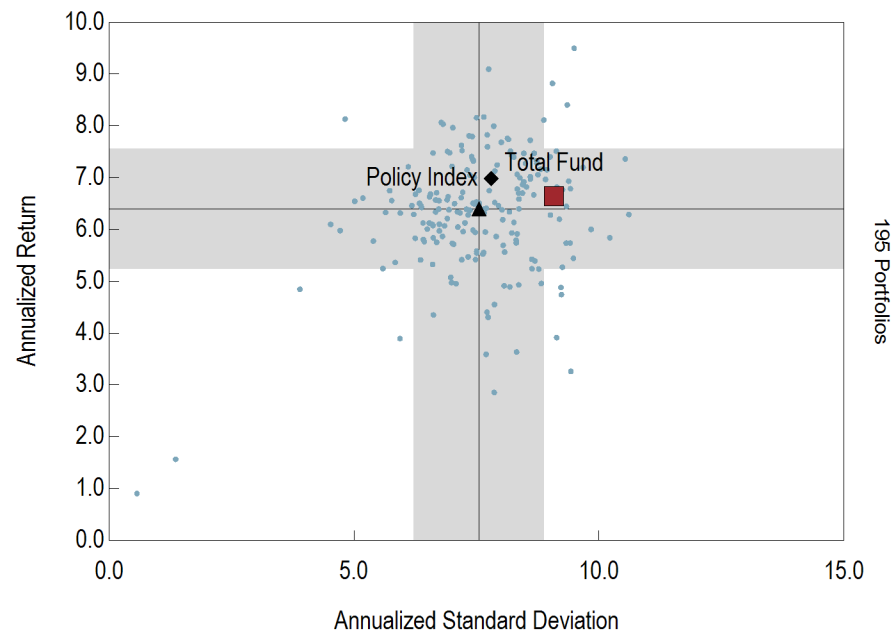
Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. Medley, Greenfield and MS Infrastructure fund market values are as of 3/31/2016 adjusted for any calls and distributions in 2Q 2016. Raven Capital and Raven Opportunity fund III market values are preliminary.

# Total Fund Risk Analysis - 5 Years (Net of Fees)

Period Ending: June 30, 2016

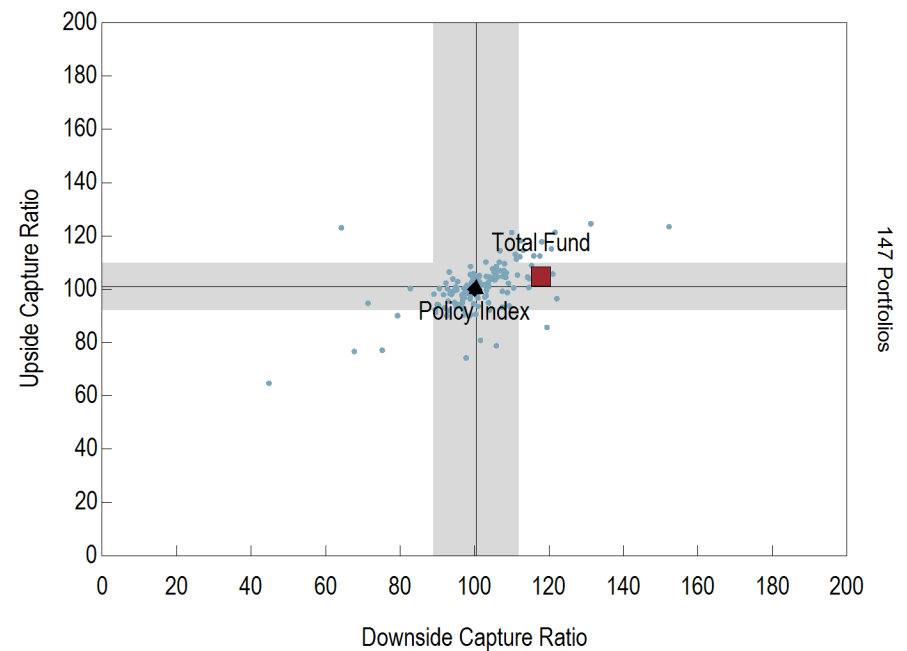
	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
Total Fund	6.64%	-0.35%	9.08%	-1.39%	1.15	1.89%	0.97	0.72	-0.18	104.69%	117.86%

Risk vs. Return



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

Up Markets vs. Down Markets



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



# Total Fund Performance Summary (Gross of Fees)

Period Ending: June 30, 2016

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2015	2014	2013	2012	2011
<b>Total Fund</b>	<b>1,762,296,536</b>	<b>100.0</b>	<b>1.6</b>	<b>1.5</b>	<b>-1.3</b>	<b>6.7</b>	<b>7.0</b>	<b>6.0</b>	<b>-0.3</b>	<b>6.9</b>	<b>19.8</b>	<b>14.3</b>	<b>-0.3</b>
Policy Index			2.2	3.8	2.2	7.0	7.0	6.2	0.2	7.5	15.4	12.3	1.4
InvestorForce Public DB Gross Rank			76	93	86	39	26	29	61	23	12	10	75
<b>US Equity</b>	<b>719,218,077</b>	<b>40.8</b>	<b>2.0</b>	<b>0.4</b>	<b>-2.6</b>	<b>9.9</b>	<b>11.2</b>	<b>6.6</b>	<b>-0.2</b>	<b>10.9</b>	<b>36.9</b>	<b>18.8</b>	<b>0.5</b>
US Equity Blended			2.8	3.4	1.0	10.6	11.2	7.5	-0.1	11.6	34.3	16.7	0.7
Russell 3000			2.6	3.6	2.1	11.1	11.6	7.4	0.5	12.6	33.6	16.4	1.0
InvestorForce All DB US Eq Gross Rank			73	88	86	70	37	80	63	54	13	6	49
Mellon S&P 500	86,422,680	4.9	2.5	3.8	4.0	11.7	12.1	7.5	1.4	13.7	32.4	16.0	2.1
S&P 500			2.5	3.8	4.0	11.7	12.1	7.4	1.4	13.7	32.4	16.0	2.1
eA US Large Cap Core Equity Gross Rank			36	30	27	42	38	60	41	42	58	40	40
BlackRock Russell 1000 Growth	85,217,200	4.8	0.6	1.4	3.1	13.1	12.4	--	5.7	13.1	33.5	15.4	2.8
Russell 1000 Growth			0.6	1.4	3.0	13.1	12.3	--	5.7	13.0	33.5	15.3	2.6
eA US Large Cap Growth Equity Gross Rank			49	19	16	32	25	--	42	37	56	53	21
Jackson Square	121,201,054	6.9	-1.2	-7.3	-6.2	11.0	12.3	--	5.9	13.8	35.6	17.0	8.9
Russell 1000 Growth			0.6	1.4	3.0	13.1	12.3	--	5.7	13.0	33.5	15.3	2.6
eA US Large Cap Growth Equity Gross Rank			87	97	92	74	29	--	39	32	39	36	3
BlackRock Russell 1000 Value	101,610,043	5.8	4.5	6.3	2.9	10.0	11.4	--	-3.6	13.5	32.6	17.6	0.5
Russell 1000 Value			4.6	6.3	2.9	9.9	11.4	--	-3.8	13.5	32.5	17.5	0.4
eA US Large Cap Value Equity Gross Rank			15	25	29	38	36	--	62	31	59	30	50
Dodge & Cox-Equity	163,188,963	9.3	1.7	1.1	-4.2	8.6	10.8	5.8	-3.9	10.9	39.1	22.3	-3.0
Russell 1000 Value			4.6	6.3	2.9	9.9	11.4	6.1	-3.8	13.5	32.5	17.5	0.4
eA US Large Cap Value Equity Gross Rank			68	74	76	69	50	81	64	72	15	3	75
Legato Capital	78,513,905	4.5	2.8	-4.5	-12.7	6.2	8.6	--	-0.7	3.0	47.3	18.1	-2.0
Russell 2000 Growth			3.2	-1.6	-10.8	7.7	8.5	--	-1.4	5.6	43.3	14.6	-2.9
eA US Small Cap Growth Equity Gross Rank			61	83	67	72	57	--	52	57	41	24	54
Capital Prospects	83,064,231	4.7	3.4	4.8	-4.8	7.5	10.0	--	-7.0	5.8	37.9	23.8	-4.0
Russell 2000 Value			4.3	6.1	-2.6	6.4	8.1	--	-7.5	4.2	34.5	18.1	-5.5
eA US Small Cap Value Equity Gross Rank			39	51	68	65	48	--	72	51	53	9	59

Individual closed end funds are not shown in performance summary table.

# Total Fund Performance Summary (Gross of Fees)

Period Ending: June 30, 2016

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2015	2014	2013	2012	2011
<b>International Equity</b>	<b>339,058,626</b>	<b>19.2</b>	<b>-0.7</b>	<b>-1.8</b>	<b>-10.2</b>	<b>2.0</b>	<b>1.3</b>	<b>2.8</b>	<b>-3.7</b>	<b>-4.2</b>	<b>20.0</b>	<b>18.0</b>	<b>-13.1</b>
MSCI ACWI ex USA Gross			-0.4	-0.7	-9.8	1.6	0.6	2.3	-5.3	-3.4	15.8	17.4	-13.3
InvestorForce All DB ex-US Eq Gross Rank			59	66	68	60	56	37	51	70	35	63	51
LSV Asset Mgt	165,585,986	9.4	-2.3	-2.6	-12.3	1.6	0.7	2.4	-5.1	-4.0	20.4	16.7	-12.5
MSCI ACWI ex USA Gross			-0.4	-0.7	-9.8	1.6	0.6	2.3	-5.3	-3.4	15.8	17.4	-13.3
eA ACWI ex-US Equity Unhedged Gross Rank			75	59	90	83	86	91	86	65	46	78	55
Pyramis	173,472,640	9.8	0.7	-1.2	-8.2	2.3	1.9	3.2	-2.0	-4.5	19.6	19.3	-13.5
MSCI ACWI ex USA Gross			-0.4	-0.7	-9.8	1.6	0.6	2.3	-5.3	-3.4	15.8	17.4	-13.3
eA ACWI ex-US Equity Unhedged Gross Rank			24	43	55	77	70	75	66	70	55	55	63
<b>US Fixed Income</b>	<b>535,452,149</b>	<b>30.4</b>	<b>2.6</b>	<b>5.3</b>	<b>5.2</b>	<b>4.5</b>	<b>4.5</b>	<b>6.1</b>	<b>0.3</b>	<b>6.2</b>	<b>0.3</b>	<b>7.9</b>	<b>5.9</b>
Barclays Aggregate			2.2	5.3	6.0	4.1	3.8	5.1	0.6	6.0	-2.0	4.2	7.8
InvestorForce All DB US Fix Inc Gross Rank			50	55	50	43	50	41	42	42	21	48	77
Dodge & Cox-Fixed	419,207,466	23.8	2.8	5.3	5.0	4.7	4.6	6.2	0.2	6.5	0.9	8.4	5.4
Barclays Aggregate			2.2	5.3	6.0	4.1	3.8	5.1	0.6	6.0	-2.0	4.2	7.8
eA US Core Fixed Inc Gross Rank			15	54	88	25	23	16	89	26	3	9	95
PIMCO	116,244,683	6.6	2.1	5.2	5.8	3.8	4.0	--	0.9	5.0	-2.2	5.8	8.6
Barclays Aggregate			2.2	5.3	6.0	4.1	3.8	--	0.6	6.0	-2.0	4.2	7.8
eA US Core Fixed Inc Gross Rank			74	65	71	89	74	--	49	83	89	54	19
<b>Real Estate</b>	<b>63,246,421</b>	<b>3.6</b>	<b>3.1</b>	<b>5.8</b>	<b>14.2</b>	<b>13.4</b>	<b>6.5</b>	<b>--</b>	<b>12.1</b>	<b>28.3</b>	<b>1.4</b>	<b>5.6</b>	<b>-10.2</b>
DJ US Select RESI			5.4	10.8	22.7	13.5	11.2	--	4.5	31.9	1.3	16.1	0.4
Prime Property Fund	16,129,294	0.9	2.6	4.9	--	--	--	--	--	--	--	--	--
NCREIF-ODCE			2.1	4.4	--	--	--	--	--	--	--	--	--
American Strategic Value Realty	12,074,520	0.7	3.3	7.0	18.1	--	--	--	21.4	--	--	--	--
NCREIF Property Index			2.0	4.3	10.6	--	--	--	13.3	--	--	--	--
BlackRock US Real Estate	24,824,937	1.4	5.4	10.8	22.7	13.5	--	--	4.4	31.9	1.4	--	--
DJ US Select RESI TR USD			5.4	10.8	22.7	13.5	--	--	4.5	31.9	1.3	--	--
eA US REIT Gross Rank			65	62	63	79	--	--	58	39	91	--	--

Individual closed end funds are not shown in performance summary table.

# Total Fund Performance Summary (Net of Fees)

Period Ending: June 30, 2016

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2015	2014	2013	2012	2011	Return	Since
<b>Total Fund</b>	<b>1,762,296,536</b>	<b>100.0</b>	<b>1.5</b>	<b>1.3</b>	<b>-1.7</b>	<b>6.3</b>	<b>6.6</b>	<b>5.7</b>	<b>-0.6</b>	<b>6.5</b>	<b>19.2</b>	<b>14.0</b>	<b>-0.6</b>	<b>8.9</b>	<b>Dec-94</b>
<i>Policy Index</i>			2.2	3.8	2.2	7.0	7.0	6.2	0.2	7.5	15.4	12.3	1.4	8.0	Dec-94
<b>US Equity</b>	<b>719,218,077</b>	<b>40.8</b>	<b>1.9</b>	<b>0.3</b>	<b>-2.9</b>	<b>9.6</b>	<b>10.9</b>	<b>6.3</b>	<b>-0.4</b>	<b>10.7</b>	<b>36.5</b>	<b>18.5</b>	<b>0.2</b>	<b>5.9</b>	<b>Jun-01</b>
<i>US Equity Blended</i>			2.8	3.4	1.0	10.6	11.2	7.5	-0.1	11.6	34.3	16.7	0.7	6.2	Jun-01
<i>Russell 3000</i>			2.6	3.6	2.1	11.1	11.6	7.4	0.5	12.6	33.6	16.4	1.0	6.1	Jun-01
Mellon S&P 500	86,422,680	4.9	2.4	3.8	4.0	11.6	12.1	7.4	1.4	13.7	32.4	16.0	1.9	8.7	Apr-03
<i>S&amp;P 500</i>			2.5	3.8	4.0	11.7	12.1	7.4	1.4	13.7	32.4	16.0	2.1	8.7	Apr-03
BlackRock Russell 1000 Growth	85,217,200	4.8	0.6	1.4	3.1	13.1	12.4	--	5.7	13.1	33.5	15.4	2.8	15.9	Jun-10
<i>Russell 1000 Growth</i>			0.6	1.4	3.0	13.1	12.3	--	5.7	13.0	33.5	15.3	2.6	15.8	Jun-10
Jackson Square	121,201,054	6.9	-1.3	-7.5	-6.6	10.6	11.8	--	5.5	13.4	34.9	16.6	8.3	8.1	Aug-06
<i>Russell 1000 Growth</i>			0.6	1.4	3.0	13.1	12.3	--	5.7	13.0	33.5	15.3	2.6	8.8	Aug-06
BlackRock Russell 1000 Value	101,610,043	5.8	4.5	6.3	2.9	9.9	11.4	--	-3.6	13.5	32.6	17.6	0.5	13.5	Jul-09
<i>Russell 1000 Value</i>			4.6	6.3	2.9	9.9	11.4	--	-3.8	13.5	32.5	17.5	0.4	13.4	Jul-09
Dodge & Cox-Equity	163,188,963	9.3	1.7	1.0	-4.4	8.4	10.7	5.6	-4.0	10.7	38.8	22.1	-3.2	11.5	Dec-94
<i>Russell 1000 Value</i>			4.6	6.3	2.9	9.9	11.4	6.1	-3.8	13.5	32.5	17.5	0.4	9.9	Dec-94
Legato Capital	78,513,905	4.5	2.4	-5.2	-14.2	5.2	7.7	--	-1.8	2.5	46.0	17.4	-2.9	14.4	Dec-08
<i>Russell 2000 Growth</i>			3.2	-1.6	-10.8	7.7	8.5	--	-1.4	5.6	43.3	14.6	-2.9	14.9	Dec-08
Capital Prospects	83,064,231	4.7	3.0	4.0	-6.2	6.6	9.1	--	-7.9	5.2	36.8	23.2	-4.8	13.9	Dec-08
<i>Russell 2000 Value</i>			4.3	6.1	-2.6	6.4	8.1	--	-7.5	4.2	34.5	18.1	-5.5	11.8	Dec-08
<b>International Equity</b>	<b>339,058,626</b>	<b>19.2</b>	<b>-0.8</b>	<b>-2.1</b>	<b>-10.7</b>	<b>1.6</b>	<b>0.9</b>	<b>2.3</b>	<b>-4.0</b>	<b>-4.5</b>	<b>19.4</b>	<b>17.5</b>	<b>-13.6</b>	<b>4.5</b>	<b>Jun-01</b>
<i>MSCI ACWI ex USA Gross</i>			-0.4	-0.7	-9.8	1.6	0.6	2.3	-5.3	-3.4	15.8	17.4	-13.3	5.4	Jun-01
LSV Asset Mgt	165,585,986	9.4	-2.4	-2.8	-12.8	1.3	0.2	1.9	-5.4	-4.2	19.8	16.2	-13.0	5.3	Aug-04
<i>MSCI ACWI ex USA Gross</i>			-0.4	-0.7	-9.8	1.6	0.6	2.3	-5.3	-3.4	15.8	17.4	-13.3	5.7	Aug-04
Pyramis	173,472,640	9.8	0.6	-1.6	-8.8	1.8	1.4	2.7	-2.3	-4.9	19.1	18.8	-13.9	2.2	Apr-06
<i>MSCI ACWI ex USA Gross</i>			-0.4	-0.7	-9.8	1.6	0.6	2.3	-5.3	-3.4	15.8	17.4	-13.3	1.8	Apr-06
<b>US Fixed Income</b>	<b>535,452,149</b>	<b>30.4</b>	<b>2.6</b>	<b>5.2</b>	<b>5.0</b>	<b>4.3</b>	<b>4.3</b>	<b>6.0</b>	<b>0.2</b>	<b>6.1</b>	<b>0.1</b>	<b>7.7</b>	<b>5.7</b>	<b>5.9</b>	<b>Jun-01</b>
<i>Barclays Aggregate</i>			2.2	5.3	6.0	4.1	3.8	5.1	0.6	6.0	-2.0	4.2	7.8	5.1	Jun-01
Dodge & Cox-Fixed	419,207,466	23.8	2.7	5.3	4.9	4.6	4.5	6.1	0.1	6.4	0.8	8.3	5.3	6.9	Dec-94
<i>Barclays Aggregate</i>			2.2	5.3	6.0	4.1	3.8	5.1	0.6	6.0	-2.0	4.2	7.8	6.0	Dec-94
PIMCO	116,244,683	6.6	2.0	5.0	5.4	3.5	3.7	--	0.6	4.7	-2.5	5.5	8.2	4.0	May-10
<i>Barclays Aggregate</i>			2.2	5.3	6.0	4.1	3.8	--	0.6	6.0	-2.0	4.2	7.8	4.0	May-10

Individual closed end funds are not shown in performance summary table.

# Total Fund Performance Summary (Net of Fees)

Period Ending: June 30, 2016

	Market Value	% of Portfolio	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2015	2014	2013	2012	2011	Return	Since
<b>Real Estate</b>	<b>63,246,421</b>	<b>3.6</b>	<b>3.0</b>	<b>5.3</b>	<b>12.7</b>	<b>12.4</b>	<b>5.3</b>	<b>--</b>	<b>10.5</b>	<b>27.4</b>	<b>1.3</b>	<b>2.7</b>	<b>-10.8</b>	<b>2.8</b>	<b>Feb-08</b>
<i>DJ US Select RESI</i>			5.4	10.8	22.7	13.5	11.2	--	4.5	31.9	1.3	16.1	0.4	6.3	Feb-08
Prime Property Fund	16,129,294	0.9	2.4	4.3	--	--	--	--	--	--	--	--	--	7.5	Sep-15
<i>NCREIF-ODCE</i>			2.1	4.4	--	--	--	--	--	--	--	--	--	7.8	Sep-15
American Strategic Value Realty	12,074,520	0.7	2.8	6.1	15.4	--	--	--	18.3	--	--	--	--	16.4	Dec-14
<i>NCREIF Property Index</i>			2.0	4.3	10.6	--	--	--	13.3	--	--	--	--	11.8	Dec-14
BlackRock US Real Estate	24,824,937	1.4	5.4	10.7	22.6	13.5	--	--	4.4	31.9	1.3	--	--	13.0	Sep-12
<i>DJ US Select RESI TR USD</i>			5.4	10.8	22.7	13.5	--	--	4.5	31.9	1.3	--	--	13.0	Sep-12

Individual closed end funds are not shown in performance summary table.

# Total Fund

## Closed End Funds - Investment Summary

Period Ending: June 30, 2016

			Verus Internal Analysis							
Inception Date	Manager Name/Fund Name	Estimated Market Value as of 6/30/16 <sup>3</sup>	Total Commitment	Capital Called	% Called	Remaining Commitment	Total Distributions	Distrib./ Paid-In (DPI) <sup>1</sup>	Tot. Value/ Paid-In (TVPI) <sup>2</sup>	Latest Valuation
Real Estate										
07/31/2014	Greenfield Gap	\$10,217,671	\$15,000,000	\$8,589,430	57%	\$6,410,570	\$0	0.0%	119.0%	03/31/2016
Total Real Estate		\$10,217,671	\$15,000,000	\$8,589,430	57%	\$6,410,570	\$0	0.0%	119.0%	
% of Portfolio (Market Value)		0.6%								
Direct Lending										
05/31/2013	Medley Capital	\$27,805,725	\$30,000,000	\$29,000,453	97%	\$999,547	\$9,777,456	33.7%	129.6%	03/31/2016
05/31/2013	Raven Capital	\$25,645,842	\$40,000,000	\$34,505,763	86%	\$5,494,237	\$11,716,083	34.0%	108.3%	06/30/2016
07/31/2015	Raven Opportunity III	\$8,357,890	\$50,000,000	\$13,069,073	26%	\$36,930,927	\$4,327,723	33.1%	97.1%	06/30/2016
08/31/2013	White Oak Pinnacle	\$36,652,117	\$40,000,000	\$40,000,000	100%	\$0	\$14,928,145	37.3%	129.0%	06/30/2016
Total Direct Lending		\$98,461,574	\$160,000,000	\$116,575,289	73%	\$43,424,711	\$40,749,407	35.0%	119.4%	
% of Portfolio (Market Value)		5.6%								
Infrastructure										
05/31/2015	MS Infrastructure Partners II	\$6,849,908	\$50,000,000	\$7,601,982	15%	\$42,398,018	\$1,295,430	17.0%	107.1%	03/31/2016
Total Infrastructure		\$6,849,908	\$50,000,000	\$7,601,982	15%	\$42,398,018	\$1,295,430	17.0%	107.1%	
% of Portfolio (Market Value)		0.4%								

1 (DPI) is equal to (capital returned / capital called)

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

3 Last known market value + capital calls - distributions

Total Fund  
Closed End Funds - IRR Summary

Period Ending: June 30, 2016

Real Estate	Inception	Fund Level (G)	StanCERA (G)	Fund Level (N)	StanCERA (N)	IRR Date
Greenfield Gap	07/31/2014	19.3%	22.4%	15.4%	15.0%	03/31/2016
<b>Direct Lending</b>						
Medley Capital	05/31/2013	8.5%	6.8%	6.9%	4.6%	03/31/2016
Raven Capital	05/31/2013	8.1%	8.1%	3.7%	3.9%	03/31/2016
Raven Opportunity III	07/31/2015	13.7%	13.7%	-2.7%	-1.3%	03/31/2016
White Oak Pinnacle	08/31/2013	14.2%	14.3%	8.8%	9.2%	06/30/2016
<b>Infrastructure</b>						
MS Infrastructure Partners II	05/31/2015	10.4%	9.2%	-5.2%	-9.1%	03/31/2016

IRR information provided by managers.

# Total Fund

## Performance Analysis - 3 and 5 Years (Net of Fees)

Period Ending: June 30, 2016

### 3 Years

	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
Mellon S&P 500	11.65%	-0.01%	8.41%	0.00%	1.00	0.03%	1.00	1.38	-0.30	99.88%	99.75%
BlackRock Russell 1000 Growth	13.09%	0.02%	8.56%	0.03%	1.00	0.06%	1.00	1.52	0.27	100.13%	100.07%
Jackson Square	10.58%	-2.49%	11.93%	-6.41%	1.30	5.01%	0.87	0.88	-0.50	86.84%	136.05%
BlackRock Russell 1000 Value	9.95%	0.08%	9.09%	0.11%	1.00	0.06%	1.00	1.09	1.40	100.32%	98.83%
Dodge & Cox-Equity	8.43%	-1.43%	10.10%	-1.75%	1.03	3.67%	0.87	0.83	-0.39	90.13%	107.58%
Legato Capital	5.24%	-2.50%	15.24%	-2.69%	1.02	2.81%	0.97	0.34	-0.89	88.83%	109.39%
Capital Prospects	6.61%	0.26%	12.09%	0.63%	0.94	2.92%	0.95	0.54	0.09	95.91%	91.25%
LSV Asset Mgt	1.26%	-0.36%	12.73%	-0.53%	1.10	1.85%	0.99	0.09	-0.20	112.71%	115.66%
Pyramis	1.84%	0.22%	10.82%	0.35%	0.92	2.60%	0.95	0.16	0.08	93.87%	91.54%
Dodge & Cox-Fixed	4.57%	0.51%	2.50%	1.50%	0.76	1.57%	0.68	1.80	0.32	91.58%	-8.27%
PIMCO	3.51%	-0.55%	2.47%	-0.12%	0.89	0.53%	0.97	1.39	-1.04	85.47%	84.97%
BlackRock US Real Estate	13.46%	-0.06%	13.56%	-0.05%	1.00	0.05%	1.00	0.99	-1.09	99.66%	100.05%

### 5 Years

	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
Mellon S&P 500	12.09%	-0.01%	12.67%	0.00%	1.00	0.02%	1.00	0.95	-0.44	99.87%	99.90%
BlackRock Russell 1000 Growth	12.40%	0.06%	12.79%	0.07%	1.00	0.05%	1.00	0.96	1.09	100.27%	99.65%
Jackson Square	11.80%	-0.54%	14.30%	-1.36%	1.07	4.34%	0.91	0.82	-0.13	94.42%	97.24%
BlackRock Russell 1000 Value	11.42%	0.06%	13.72%	0.08%	1.00	0.06%	1.00	0.83	1.18	100.22%	99.52%
Dodge & Cox-Equity	10.65%	-0.70%	15.12%	-1.54%	1.07	3.44%	0.95	0.70	-0.20	102.05%	112.22%
Legato Capital	7.66%	-0.86%	18.35%	-0.65%	0.98	2.90%	0.98	0.41	-0.30	92.38%	98.85%
Capital Prospects	9.12%	0.97%	16.96%	1.18%	0.97	2.92%	0.97	0.53	0.33	103.39%	95.96%
LSV Asset Mgt	0.24%	-0.32%	15.91%	-0.35%	1.06	1.67%	0.99	0.01	-0.19	109.99%	107.72%
Pyramis	1.45%	0.89%	14.92%	0.89%	0.99	2.22%	0.98	0.09	0.40	101.41%	94.81%
Dodge & Cox-Fixed	4.54%	0.78%	2.59%	2.44%	0.56	2.37%	0.42	1.73	0.33	98.96%	19.10%
PIMCO	3.69%	-0.07%	3.12%	-0.13%	1.01	0.66%	0.96	1.16	-0.11	97.69%	97.52%

Performance Analysis excludes closed end funds and those funds without 3 and 5 years of performance.

# Total Fund Investment Fund Fee Analysis

Period Ending: June 30, 2016

Name	Asset Class	Fee Schedule	Market Value	Estimated Fee Value	Estimated Fee
Mellon S&P 500	Domestic Equity	0.04% of Assets	\$86,422,680	\$30,248	0.04%
BlackRock Russell 1000 Growth	Domestic Equity	0.02% of Assets	\$85,217,200	\$17,043	0.02%
Jackson Square	Domestic Equity	0.50% of First \$100.0 Mil, 0.45% Thereafter	\$121,201,054	\$595,405	0.49%
BlackRock Russell 1000 Value	Domestic Equity	0.02% of Assets	\$101,610,043	\$20,322	0.02%
Dodge & Cox-Equity	Domestic Equity	0.40% of First \$10.0 Mil, 0.20% of Next \$90.0 Mil, 0.15% Thereafter	\$163,188,963	\$314,783	0.19%
Legato Capital	Domestic Equity	0.77% of Assets	\$78,513,905	\$604,557	0.77%
Capital Prospects	Domestic Equity	0.75% of Assets	\$83,064,231	\$622,982	0.75%
LSV Asset Mgt	International Equity	0.75% of First \$25.0 Mil, 0.65% of Next \$25.0 Mil, 0.55% of Next \$50.0 Mil, 0.45% Thereafter	\$165,585,986	\$920,137	0.56%
Pyramis	International Equity	0.25% of Assets	\$173,472,640	\$433,682	0.25%
Dodge & Cox-Fixed	Domestic Fixed Income	0.40% of First \$4.0 Mil, 0.30% of Next \$6.0 Mil, 0.20% of Next \$10.0 Mil, 0.10% Thereafter	\$419,207,466	\$453,207	0.11%
PIMCO	Domestic Fixed Income	0.50% of First \$25.0 Mil, 0.38% of Next \$25.0 Mil, 0.25% Thereafter	\$116,244,683	\$384,362	0.33%
Prime Property Fund	Real Estate	0.84% of Assets	\$16,129,294	\$135,486	0.84%
American Strategic Value Realty	Real Estate	1.25% of First \$10.0 Mil, 1.20% of Next \$15.0 Mil, 1.10% of Next \$25.0 Mil, 1.00% Thereafter	\$12,074,520	\$149,894	1.24%
BlackRock US Real Estate	Real Estate	0.09% of First \$100.0 Mil, 0.07% Thereafter	\$24,824,937	\$22,342	0.09%
Cash Account	Cash and Equivalents	0.10% of Assets	\$9,781	\$10	0.10%
<b>Total</b>			<b>\$1,646,767,383</b>	<b>\$4,704,460</b>	<b>0.29%</b>

Closed end funds excluded from fee analysis. Pyramis has performance based fees which are not included in the analysis above; fee shown is the annual base fee only.

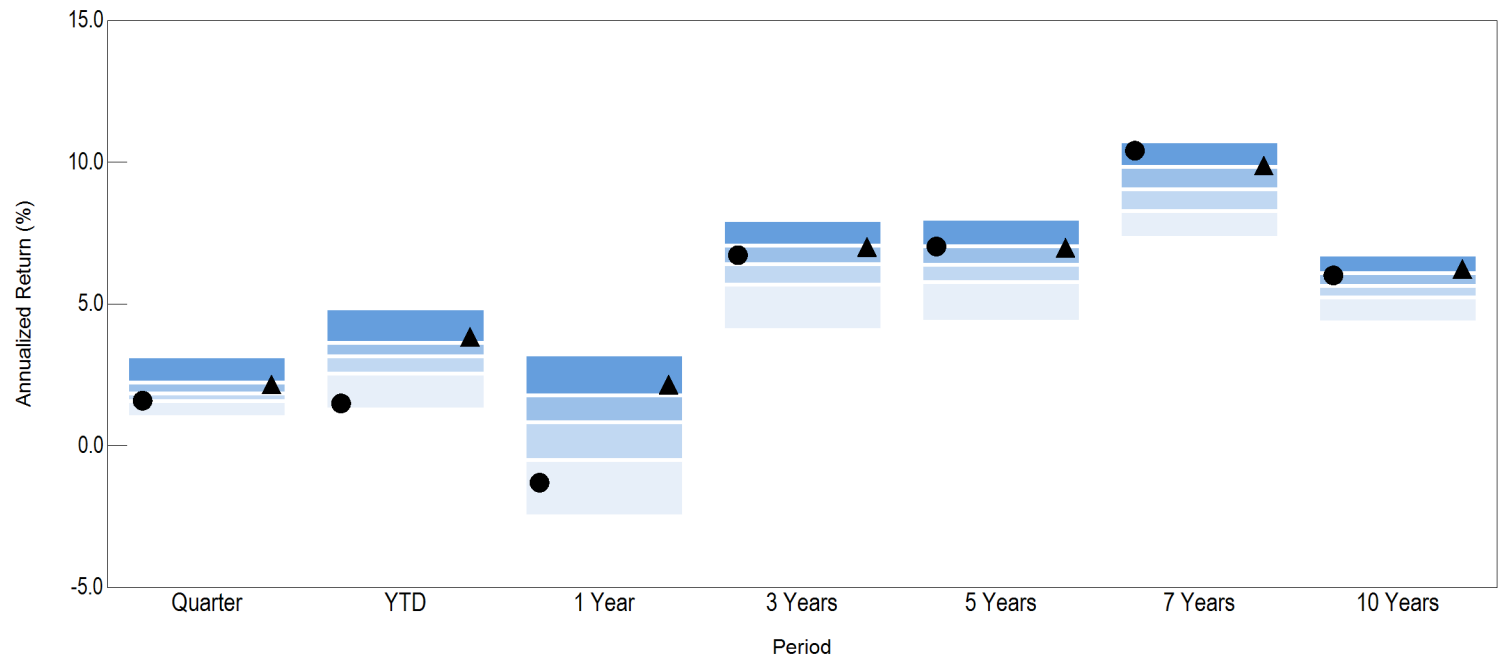


# Total Fund

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

Period Ending: June 30, 2016

Total Fund Cumulative Performance vs. InvestorForce Public DB Gross

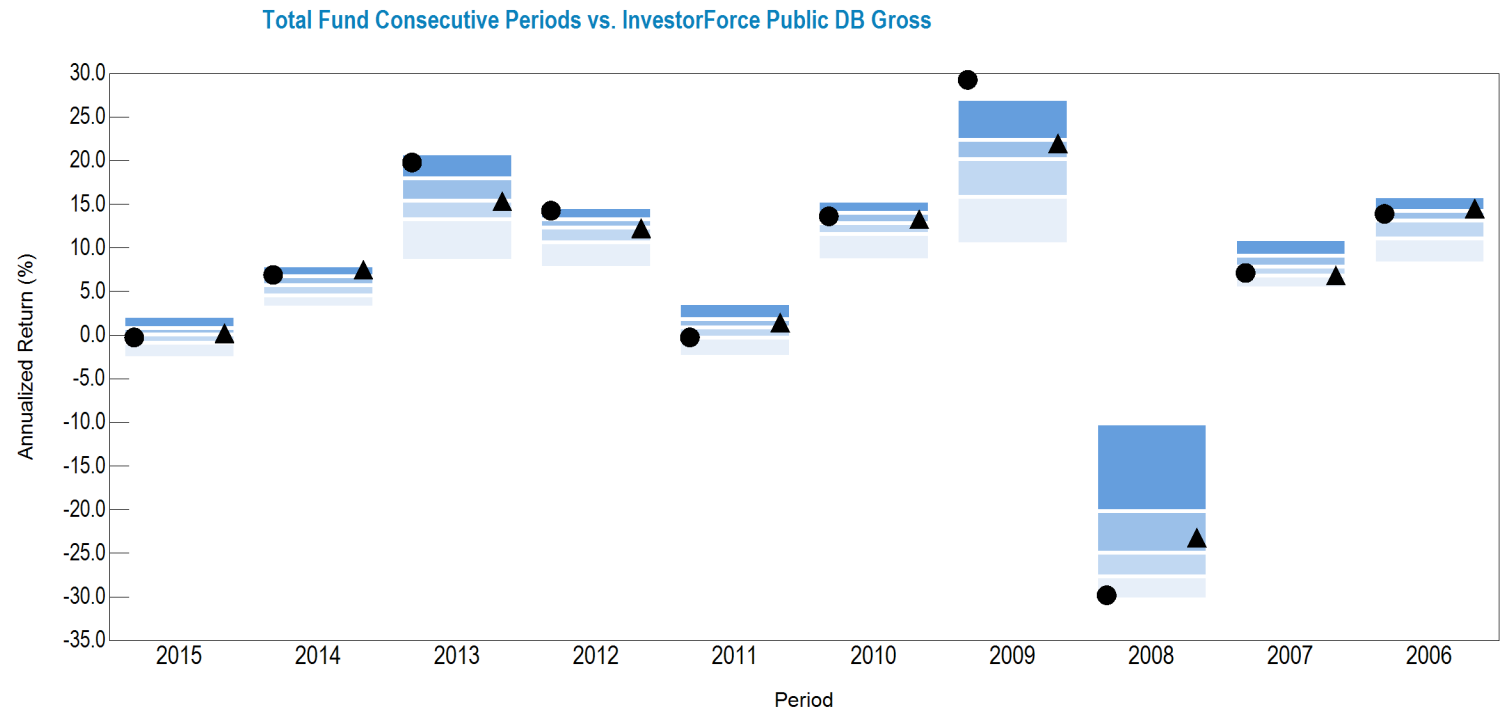


	Return (Rank)											
5th Percentile	3.2		4.8		3.2		7.9		8.0		10.7	
25th Percentile	2.2		3.6		1.8		7.1		7.1		9.8	
Median	1.9		3.2		0.8		6.4		6.4		9.1	
75th Percentile	1.6		2.6		-0.5		5.7		5.8		8.3	
95th Percentile	1.0		1.3		-2.5		4.1		4.4		7.3	
# of Portfolios	249		245		245		215		195		172	
● Total Fund	1.6	(76)	1.5	(93)	-1.3	(86)	6.7	(39)	7.0	(26)	10.4	(9)
▲ Policy Index	2.2	(28)	3.8	(22)	2.2	(17)	7.0	(28)	7.0	(28)	9.9	(24)
											6.2	(17)

# Total Fund

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

Period Ending: June 30, 2016



	Return (Rank)									
5th Percentile	2.2	8.0	20.8	14.6	3.6	15.4	27.0	-10.1	11.0	15.9
25th Percentile	0.9	6.8	18.0	13.4	1.9	14.0	22.4	-20.1	9.1	14.2
Median	0.1	5.8	15.5	12.4	0.9	12.9	20.2	-24.9	7.9	13.2
75th Percentile	-0.9	4.6	13.3	10.7	-0.3	11.7	15.9	-27.6	6.9	11.2
95th Percentile	-2.6	3.2	8.5	7.8	-2.5	8.6	10.5	-30.3	5.4	8.3
# of Portfolios	316	248	231	236	206	188	184	181	177	171
● Total Fund	-0.3 (61)	6.9 (23)	19.8 (12)	14.3 (10)	-0.3 (75)	13.6 (35)	29.3 (1)	-29.8 (92)	7.1 (68)	13.9 (31)
▲ Policy Index	0.2 (46)	7.5 (12)	15.4 (52)	12.3 (53)	1.4 (35)	13.3 (42)	22.0 (29)	-23.2 (37)	6.9 (76)	14.5 (22)

## Domestic Equity Managers

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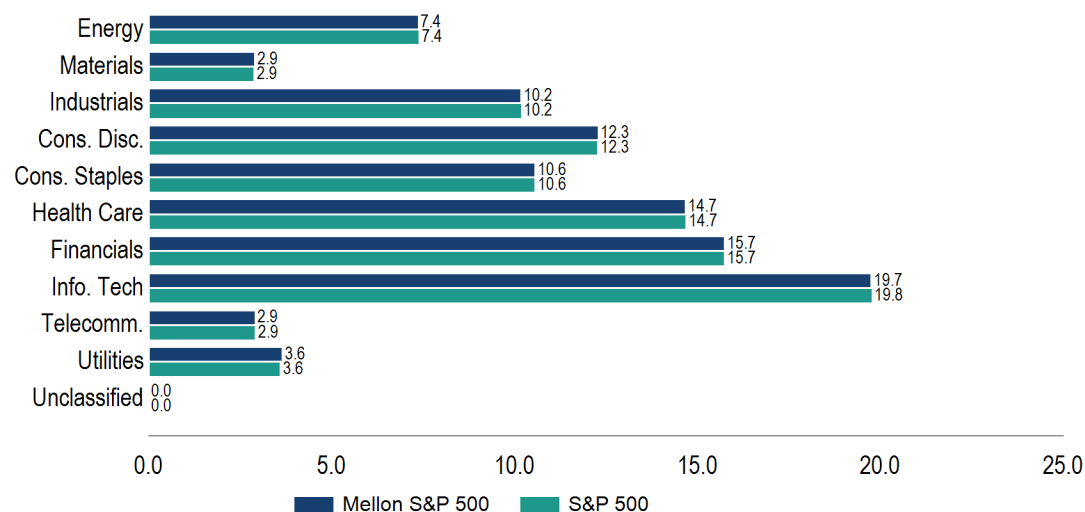
# Mellon S&P 500 Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	S&P 500
Number of Holdings	502	505
Weighted Avg. Market Cap. (\$B)	128.04	127.61
Median Market Cap. (\$B)	17.90	18.11
Price To Earnings	23.79	23.28
Price To Book	4.89	4.40
Price To Sales	3.49	3.03
Return on Equity (%)	18.94	17.73
Yield (%)	2.17	2.15
Beta	1.00	1.00

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



## Largest Holdings

	End Weight	Return
APPLE	2.88	-11.75
ALPHABET 'C'	2.25	-7.09
MICROSOFT	2.21	-6.69
EXXON MOBIL	2.13	13.09
JOHNSON & JOHNSON	1.83	12.90
GENERAL ELECTRIC	1.59	-0.23
AMAZON.COM	1.52	20.55
BERKSHIRE HATHAWAY 'B'	1.49	2.05
AT&T	1.46	11.68
FACEBOOK CLASS A	1.45	0.16

## Top Contributors

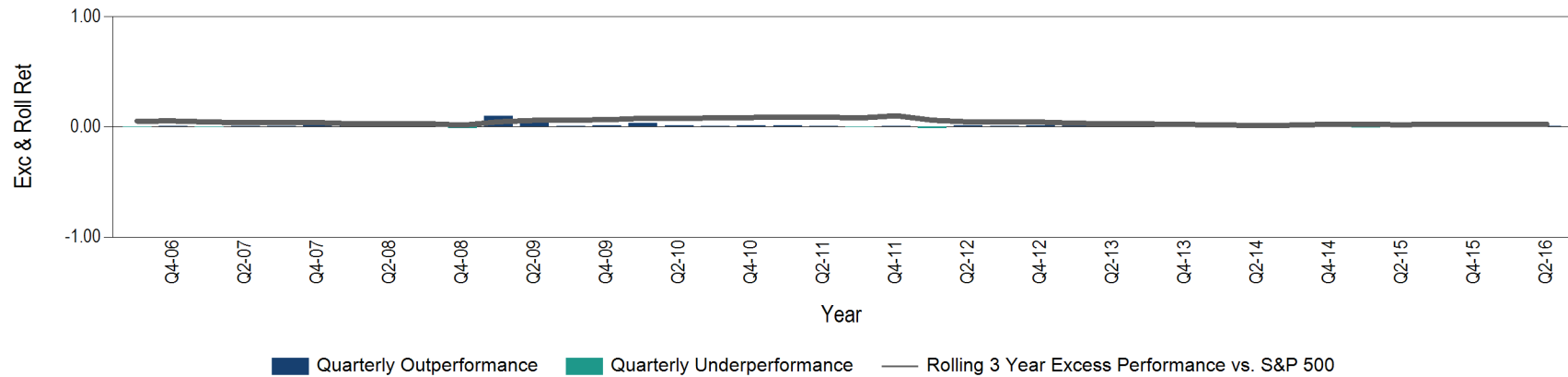
	Avg Wgt	Return	Contribution
AMAZON.COM	1.41	20.55	0.29
EXXON MOBIL	2.00	13.09	0.26
JOHNSON & JOHNSON	1.69	12.90	0.22
PFIZER	1.08	19.87	0.22
AT&T	1.33	11.68	0.15
CHEVRON	1.04	11.05	0.11
BRISTOL MYERS SQUIBB	0.64	15.74	0.10
MEDTRONIC	0.61	15.69	0.10
MERCK & COMPANY	0.84	9.78	0.08
ALTRIA GROUP	0.68	11.01	0.07

## Bottom Contributors

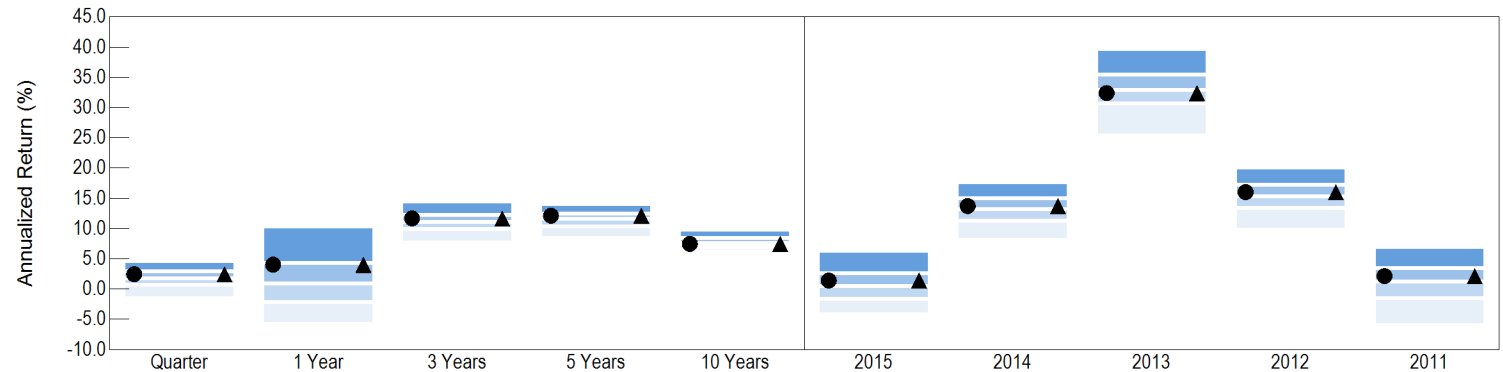
	Avg Wgt	Return	Contribution
APPLE	3.09	-11.75	-0.36
ALPHABET 'C'	2.39	-7.09	-0.17
MICROSOFT	2.31	-6.69	-0.15
ALLERGAN	0.52	-13.78	-0.07
GILEAD SCIENCES	0.67	-8.68	-0.06
DELTA AIR LINES	0.19	-24.93	-0.05
CVS HEALTH	0.61	-7.32	-0.04
NIKE 'B'	0.44	-9.94	-0.04
TARGET	0.26	-14.51	-0.04
AMERICAN AIRLINES GROUP	0.12	-30.77	-0.04

Unclassified sector allocation includes cash allocations.

## Rolling Annualized Excess Performance



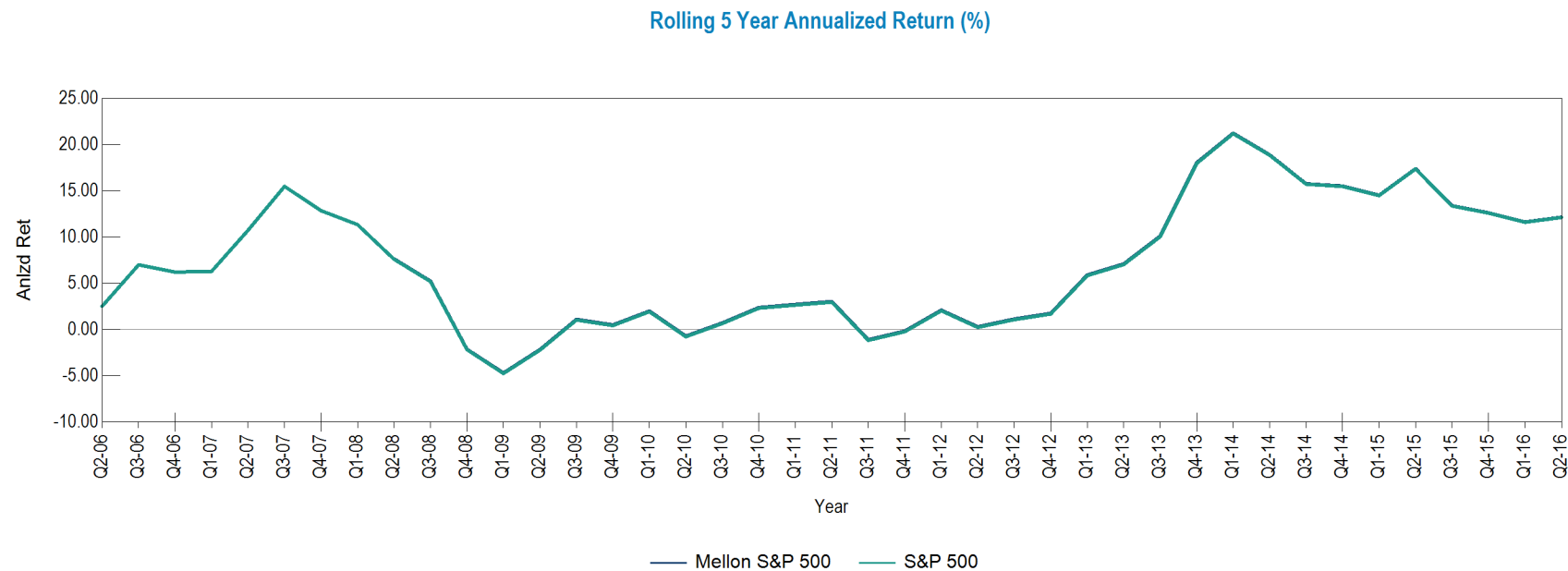
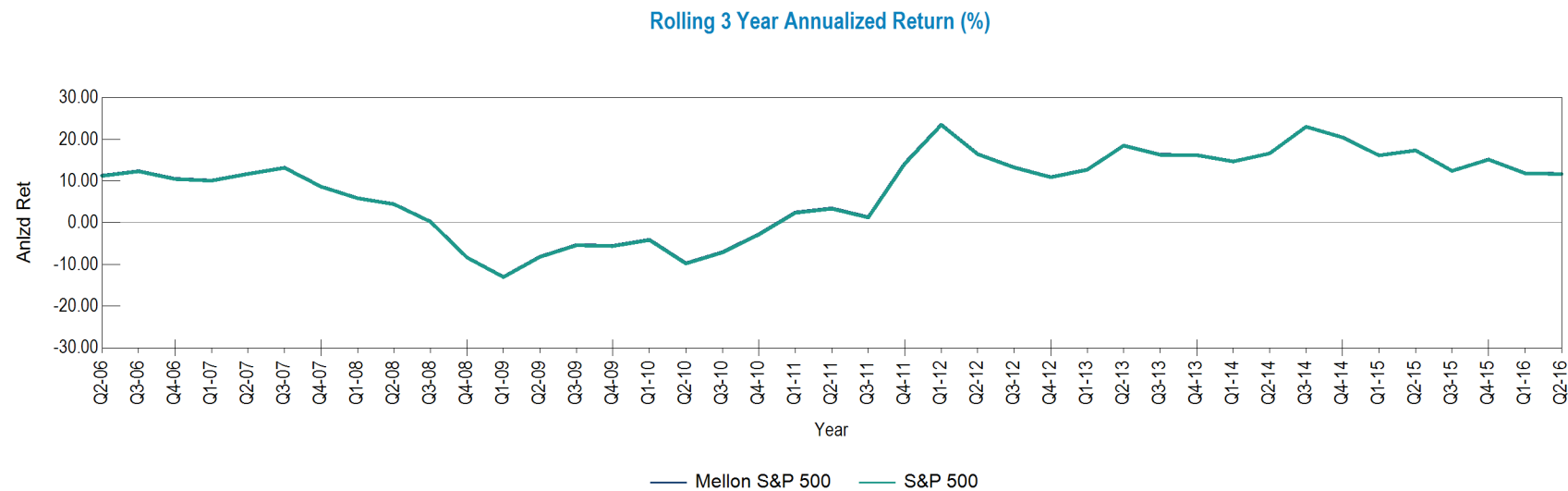
## Mellon S&amp;P 500 vs. eA US Large Cap Core Equity Gross Universe



	Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)	
5th Percentile	4.6	(36)	10.3	(27)	14.4	(42)	14.0	(38)	9.8	(60)	6.3	(41)	17.7	(42)	39.6	(58)	20.1	(40)
25th Percentile	3.0	(37)	4.4	(28)	12.3	(42)	12.5	(39)	8.5	(61)	2.7	(42)	15.1	(42)	35.5	(58)	17.2	(41)
Median	1.8		0.9		11.2		11.7		7.7		0.6		13.3		32.9		15.4	
75th Percentile	0.8		-2.1		10.0		10.4		7.0		-1.6		11.4		30.8		13.4	
95th Percentile	-1.5		-5.7		7.7		8.5		6.3		-4.1		8.2		25.4		9.8	
# of Portfolios	266		265		261		241		197		267		267		261		254	
● Mellon S&P 500	2.5	(36)	4.0	(27)	11.7	(42)	12.1	(38)	7.5	(60)	1.4	(41)	13.7	(42)	32.4	(58)	16.0	(40)
▲ S&P 500	2.5	(37)	4.0	(28)	11.7	(42)	12.1	(39)	7.4	(61)	1.4	(42)	13.7	(42)	32.4	(58)	16.0	(41)

Mellon S&P 500  
Rolling Manager Performance (Gross of Fees)

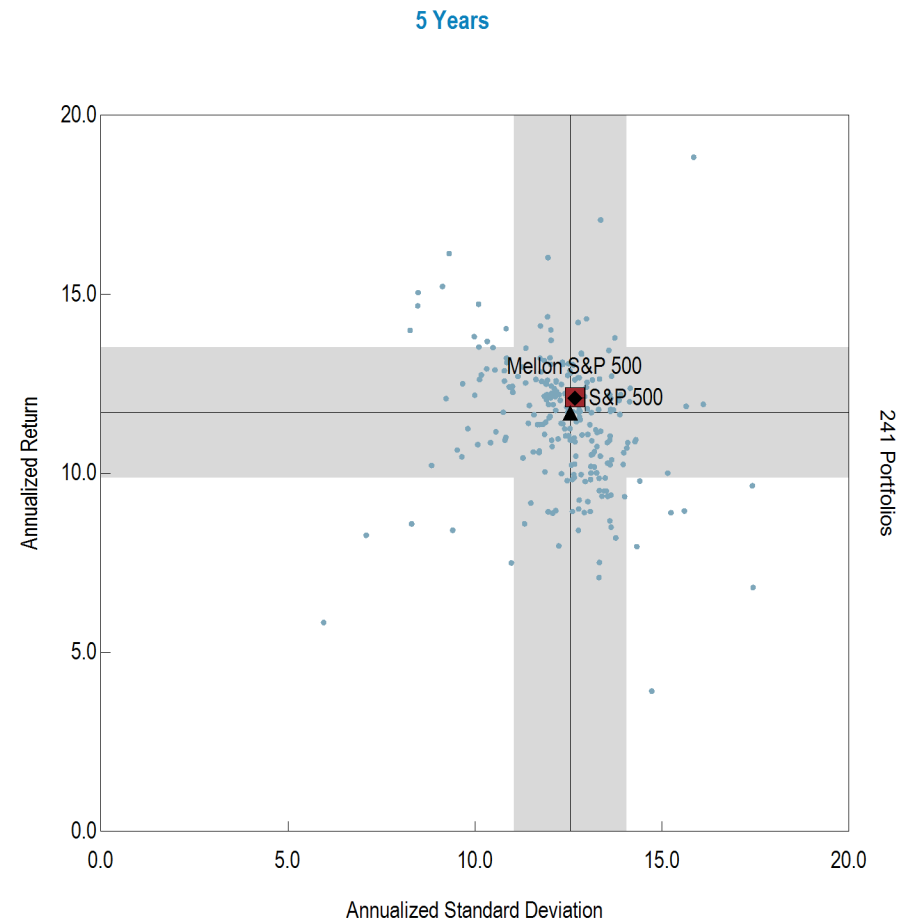
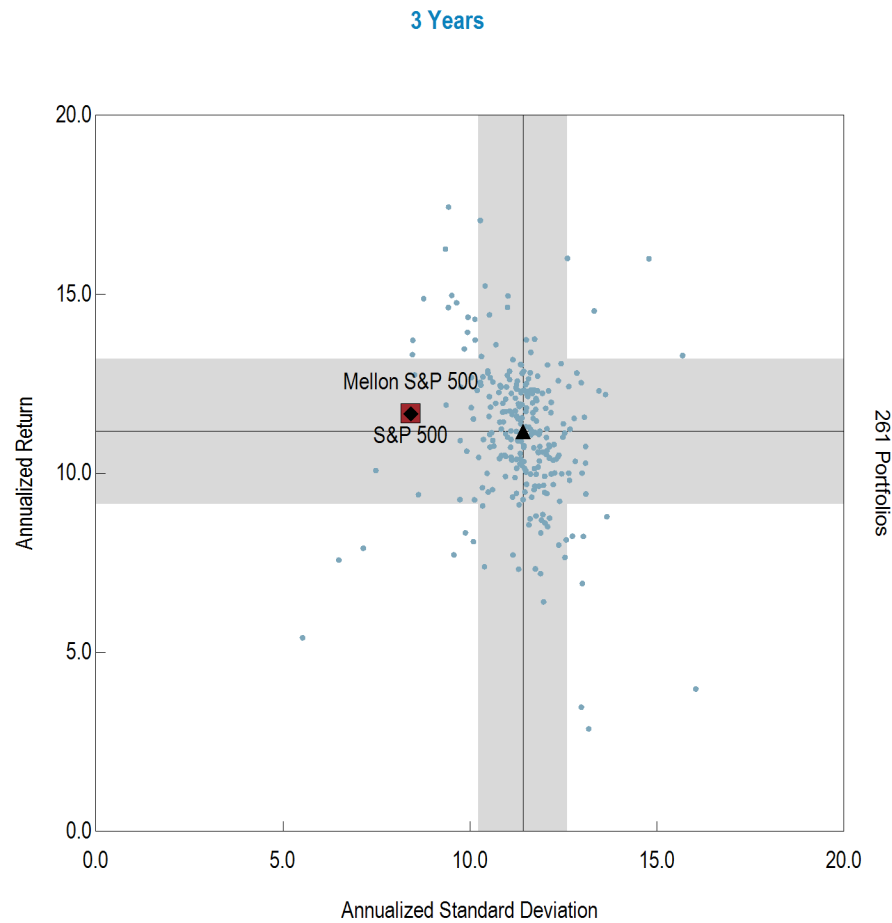
Period Ending: June 30, 2016



# Mellon S&P 500

## Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016



	3 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Mellon S&P 500	11.7%	8.4%	1.4
S&P 500	11.7%	8.4%	1.4
eA US Large Cap Core Equity Gross Median	11.2%	11.4%	1.0

	5 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Mellon S&P 500	12.1%	12.7%	1.0
S&P 500	12.1%	12.7%	0.9
eA US Large Cap Core Equity Gross Median	11.7%	12.6%	0.9

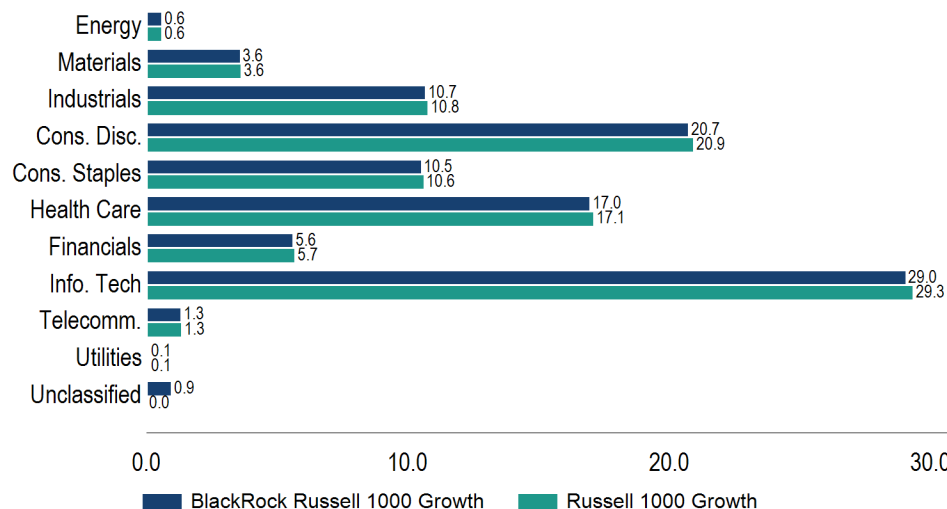
# BlackRock Russell 1000 Growth Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	Russell 1000 Growth
Number of Holdings	599	600
Weighted Avg. Market Cap. (\$B)	120.12	120.12
Median Market Cap. (\$B)	8.50	8.46
Price To Earnings	27.99	27.18
Price To Book	7.77	6.51
Price To Sales	4.49	3.94
Return on Equity (%)	24.76	23.47
Yield (%)	1.57	1.57
Beta	1.00	1.00

## Sector Allocation (%) vs Russell 1000 Growth



## Largest Holdings

	End Weight	Return
APPLE	4.70	-11.75
MICROSOFT	3.79	-6.69
AMAZON.COM	2.72	20.55
FACEBOOK CLASS A	2.51	0.16
ALPHABET 'A'	2.02	-7.78
ALPHABET 'C'	2.01	-7.09
HOME DEPOT	1.56	-3.80
WALT DISNEY	1.55	-1.50
COMCAST 'A'	1.42	7.21
VISA 'A'	1.38	-2.84

## Top Contributors

	Avg Wgt	Return	Contribution
AMAZON.COM	2.39	20.55	0.49
BRISTOL MYERS SQUIBB	1.10	15.74	0.17
ALTRIA GROUP	1.11	11.01	0.12
UNITEDHEALTH GROUP	1.13	10.04	0.11
COMCAST 'A'	1.33	7.21	0.10
ABBVIE	0.95	9.43	0.09
LINKEDIN CLASS A	0.13	65.50	0.09
VERIZON COMMUNICATIONS	1.87	4.34	0.08
MONSANTO	0.41	18.59	0.08
UNION PACIFIC	0.70	10.41	0.07

## Bottom Contributors

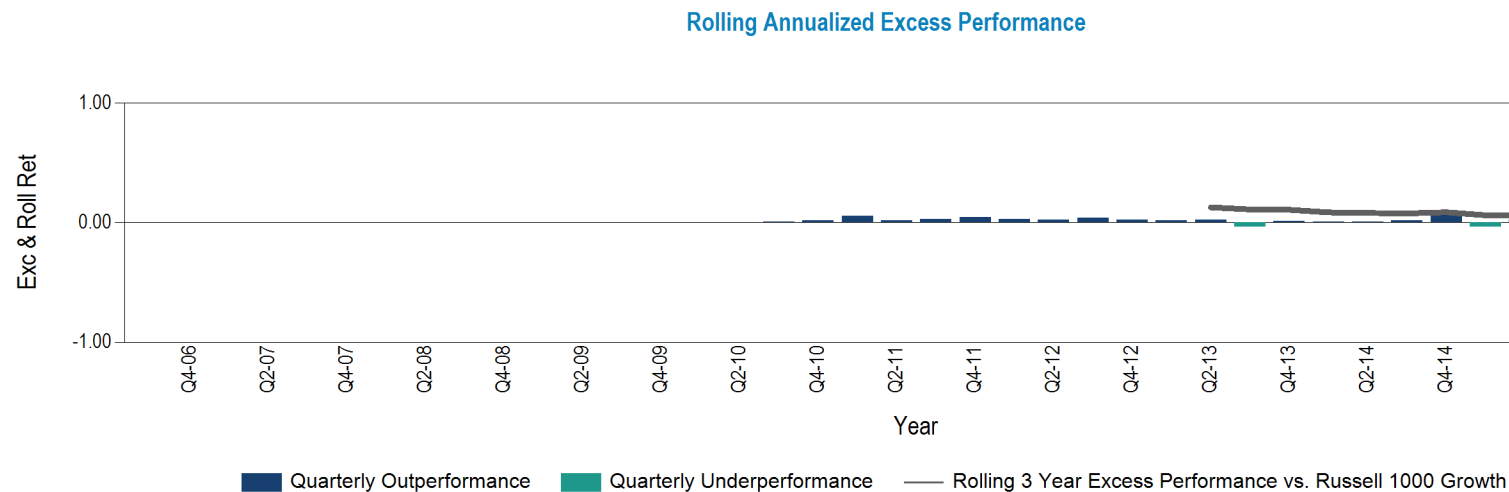
	Avg Wgt	Return	Contribution
APPLE	5.53	-11.75	-0.65
ALPHABET 'A'	2.03	-7.78	-0.16
MICROSOFT	2.30	-6.69	-0.15
ALPHABET 'C'	2.03	-7.09	-0.14
GILEAD SCIENCES	1.19	-8.68	-0.10
DELTA AIR LINES	0.34	-24.93	-0.08
NIKE 'B'	0.76	-9.94	-0.08
CVS HEALTH	1.00	-7.32	-0.07
AMERICAN AIRLINES GROUP	0.22	-30.77	-0.07
HOME DEPOT	1.65	-3.80	-0.06

Unclassified sector allocation includes cash allocations.

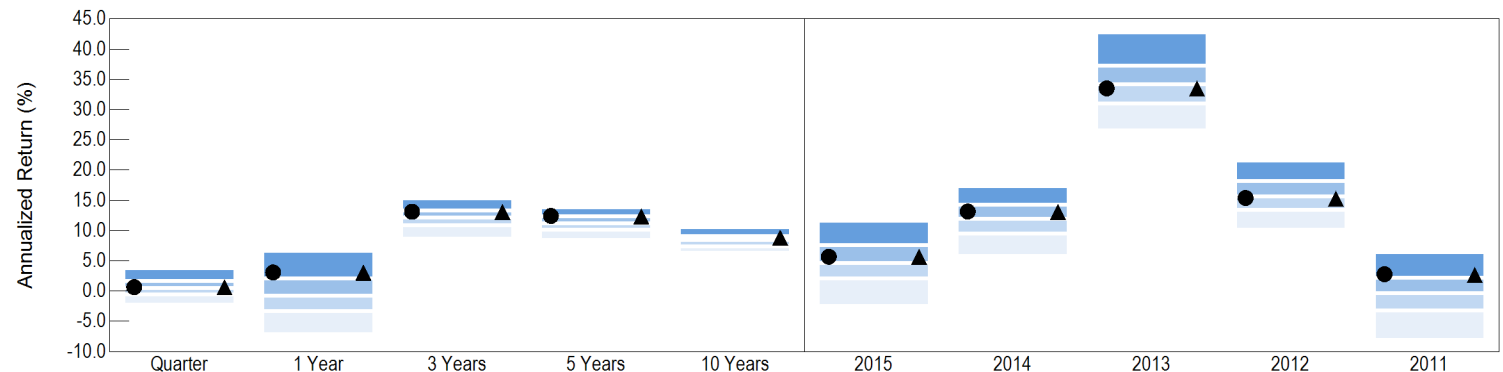


# BlackRock Russell 1000 Growth Manager Performance Comparisons (Gross of Fees)

Period Ending: June 30, 2016



## BlackRock Russell 1000 Growth vs. eA US Large Cap Growth Equity Gross Universe

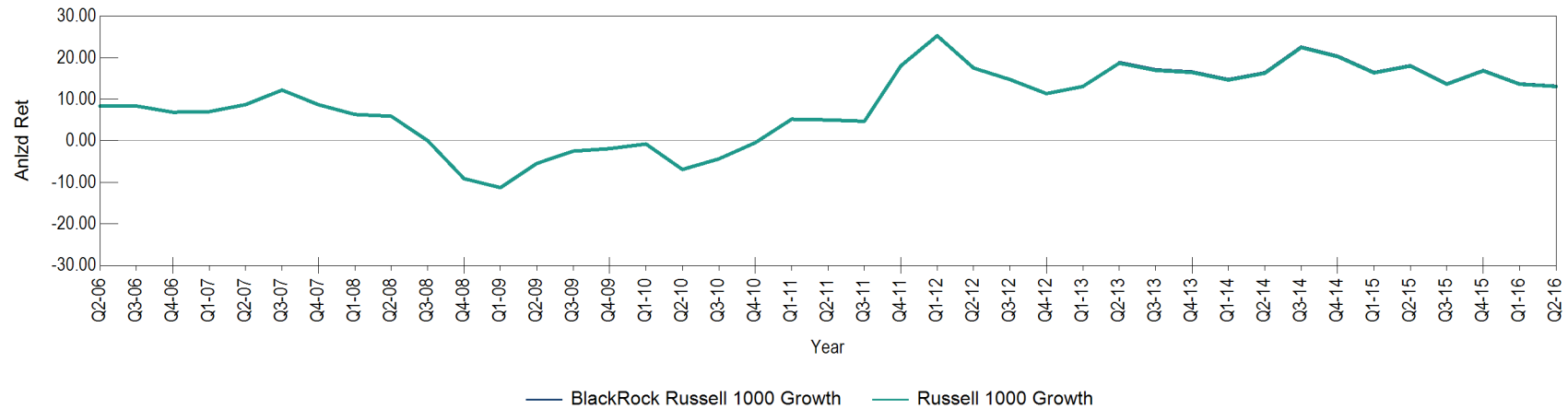


		Return (Rank)																	
5th Percentile		3.7	6.6	15.3	13.8	10.5	11.6	17.3	42.8	21.6	6.4								
25th Percentile		1.7	2.1	13.4	12.4	9.1	7.6	14.3	37.3	18.2	2.2								
Median		0.6	-0.7	12.3	11.2	8.5	4.7	12.0	34.3	15.7	-0.3								
75th Percentile		-0.5	-3.3	11.0	10.2	7.5	2.1	9.5	31.0	13.4	-3.2								
95th Percentile		-2.2	-7.1	8.8	8.5	6.4	-2.4	5.8	26.6	10.2	-8.0								
# of Portfolios		270	270	266	249	212	270	291	274	274	294								
●	BlackRock Russell 1000 Growth	0.6 (49)	3.1 (16)	13.1 (32)	12.4 (25)	-- (--)	5.7 (42)	13.1 (37)	33.5 (56)	15.4 (53)	2.8 (21)								
▲	Russell 1000 Growth	0.6 (50)	3.0 (17)	13.1 (34)	12.3 (28)	8.8 (40)	5.7 (42)	13.0 (38)	33.5 (56)	15.3 (55)	2.6 (22)								

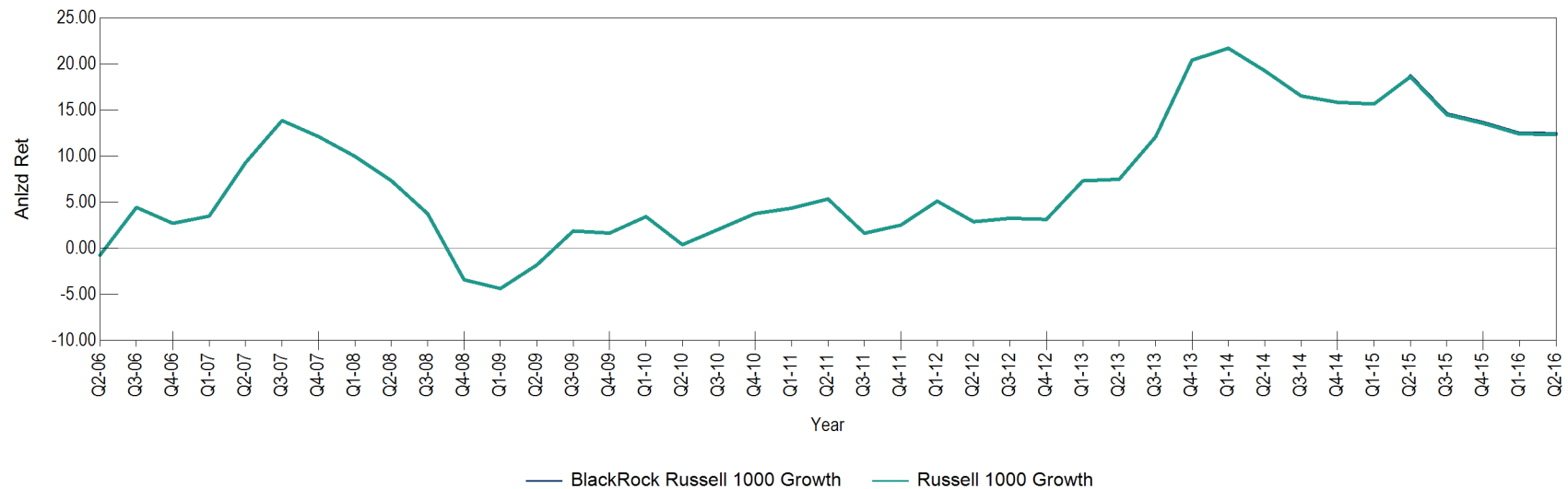
# BlackRock Russell 1000 Growth Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

Rolling 3 Year Annualized Return (%)



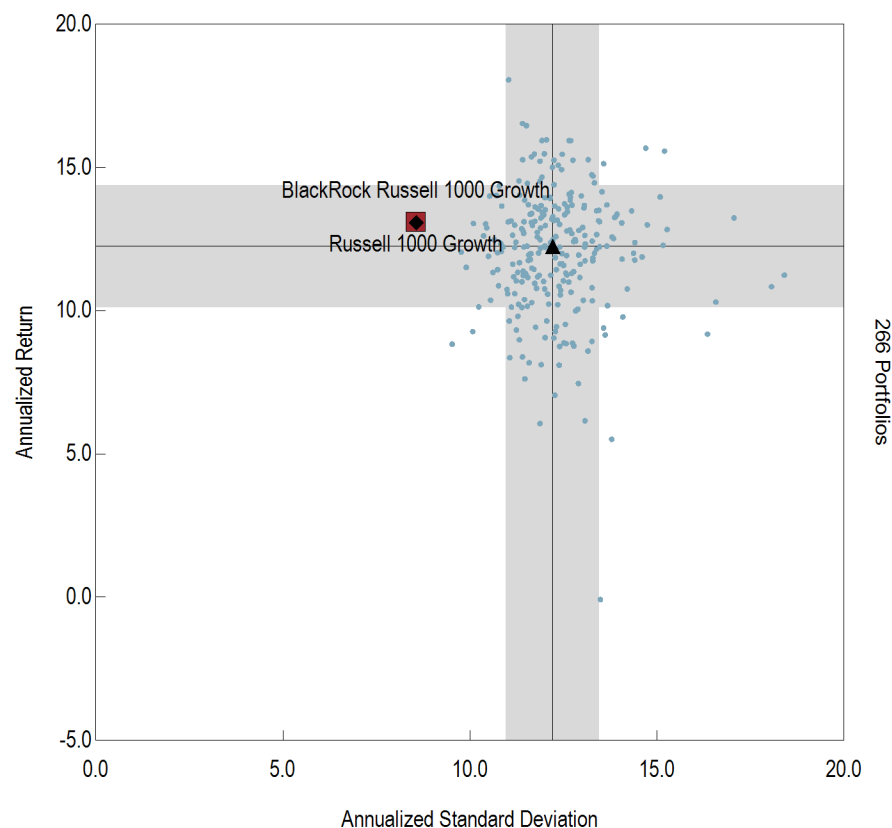
Rolling 5 Year Annualized Return (%)



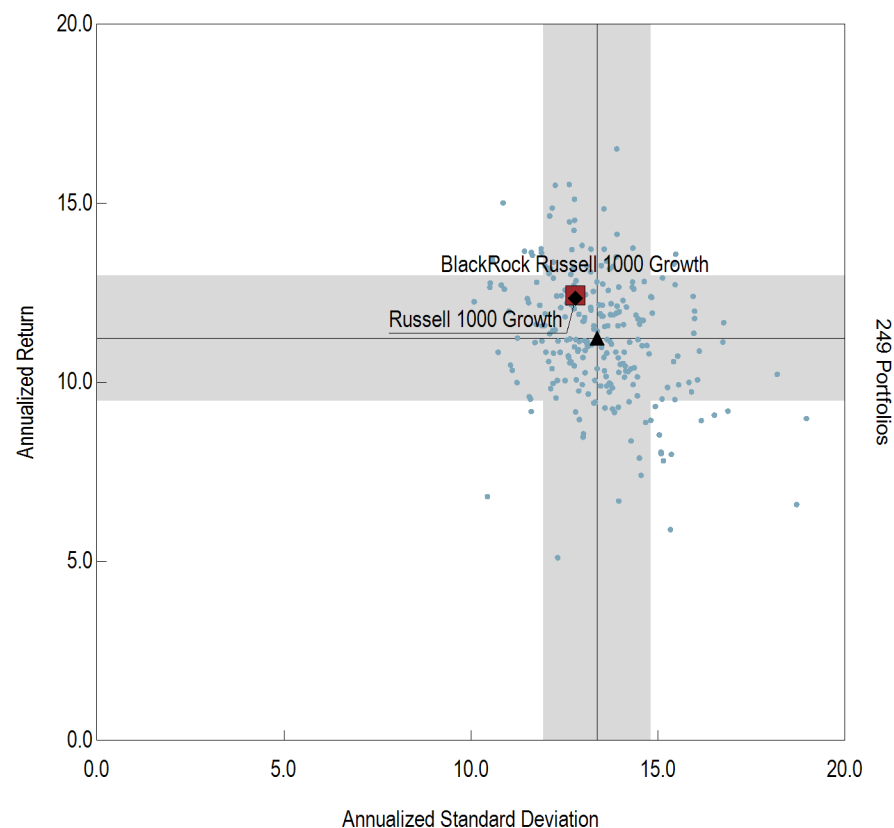
# BlackRock Russell 1000 Growth Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

3 Years



5 Years



3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
BlackRock Russell 1000 Growth	13.1%	8.6%	1.5
Russell 1000 Growth	13.1%	8.6%	1.5
eA US Large Cap Growth Equity Gross Median	12.3%	12.2%	1.0

5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
BlackRock Russell 1000 Growth	12.4%	12.8%	1.0
Russell 1000 Growth	12.3%	12.8%	1.0
eA US Large Cap Growth Equity Gross Median	11.2%	13.4%	0.8

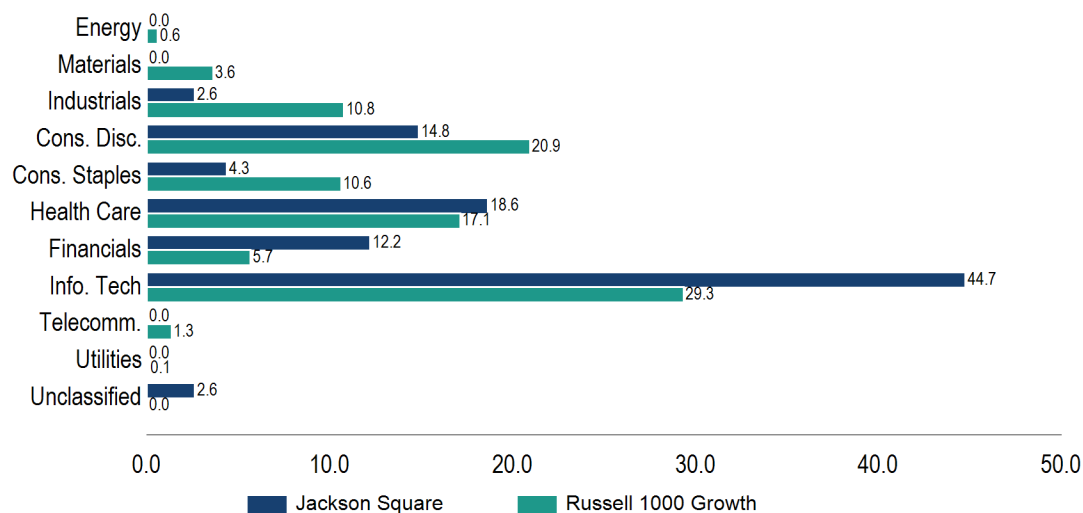
# Jackson Square Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	Russell 1000 Growth
Number of Holdings	34	600
Weighted Avg. Market Cap. (\$B)	90.88	120.12
Median Market Cap. (\$B)	26.92	8.46
Price To Earnings	30.12	27.18
Price To Book	6.13	6.51
Price To Sales	6.78	3.94
Return on Equity (%)	20.25	23.47
Yield (%)	1.09	1.57
Beta	1.30	1.00

## Sector Allocation (%) vs Russell 1000 Growth



## Largest Holdings

	End Weight	Return
VISA 'A'	5.62	-2.84
CROWN CASTLE INTL.	5.43	18.36
CELGENE	5.00	-1.46
QUALCOMM	4.86	5.76
PAYPAL HOLDINGS	4.86	-5.41
ELECTRONIC ARTS	4.77	14.60
ALLERGAN	4.75	-13.78
MICROSOFT	4.56	-6.69
LIBERTY INTACT.QVC GROUP 'A'	4.45	0.48
WALGREENS BOOTS ALLIANCE	4.35	-0.70

## Top Contributors

	Avg Wgt	Return	Contribution
CROWN CASTLE INTL.	4.66	18.36	0.86
ELECTRONIC ARTS	4.23	14.60	0.62
EQUINIX	3.27	17.84	0.58
INTERCONTINENTAL EX.	3.39	9.21	0.31
QUALCOMM	5.19	5.76	0.30
INTUIT	2.18	7.62	0.17
LIBERTY INTACT.QVC GROUP 'A'	4.53	0.48	0.02
DENTSPLY INTL.	2.38	0.79	0.02
FACEBOOK CLASS A	4.01	0.16	0.01
NIELSEN	2.62	-0.74	-0.02

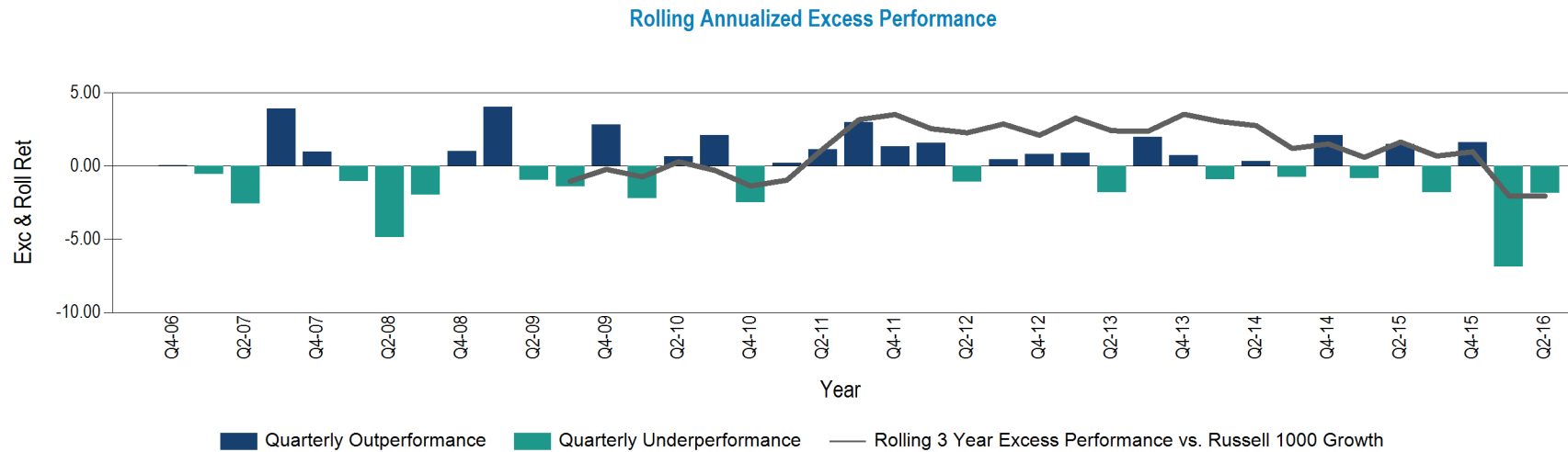
## Bottom Contributors

	Avg Wgt	Return	Contribution
ALLERGAN	4.75	-13.78	-0.65
L BRANDS	2.50	-22.88	-0.57
MICROSOFT	4.64	-6.69	-0.31
ALPHABET 'A'	3.82	-7.78	-0.30
MASTERCARD	4.41	-6.63	-0.29
BIOGEN	3.92	-7.11	-0.28
PAYPAL HOLDINGS	4.69	-5.41	-0.25
LIBERTY GLOBAL SR.C	2.09	-12.08	-0.25
ALPHABET 'C'	3.01	-7.09	-0.21
VALEANT PHARMS. (NYS) INTL.	0.75	-23.42	-0.17

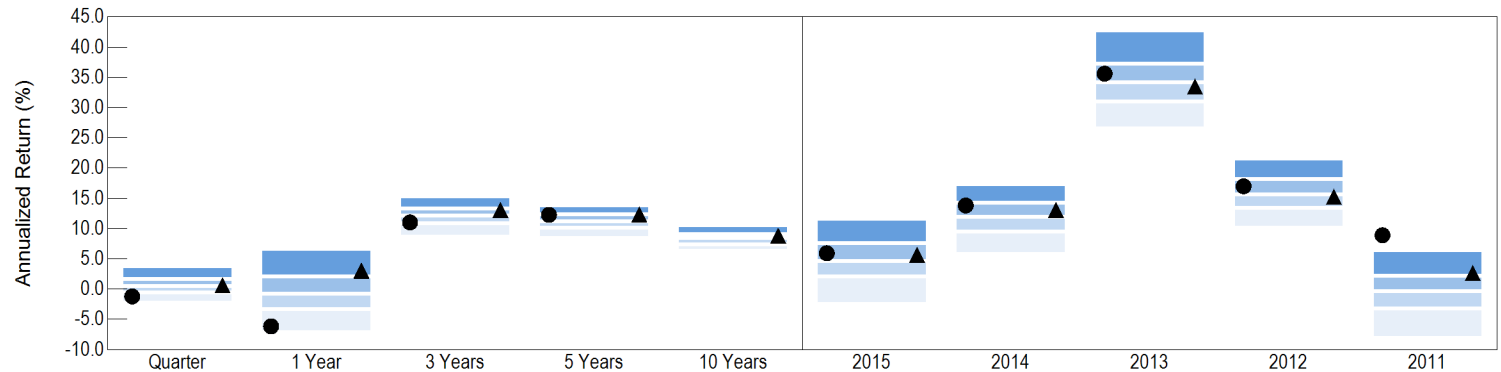
Unclassified sector allocation includes cash allocations.

# Jackson Square Manager Performance Comparisons (Gross of Fees)

Period Ending: June 30, 2016



## Jackson Square vs. eA US Large Cap Growth Equity Gross Universe



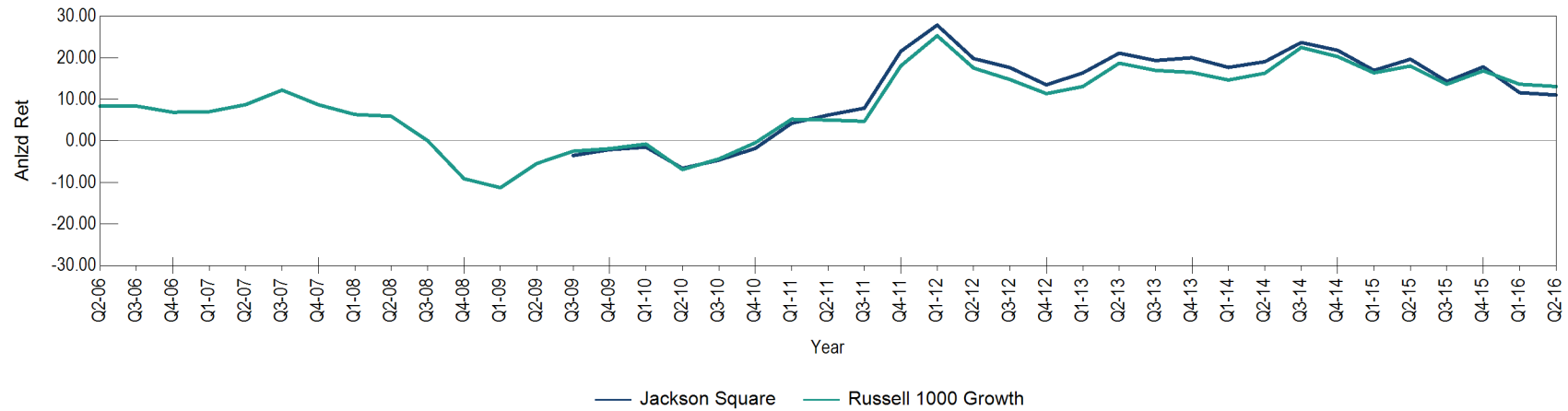
		Return (Rank)																	
5th Percentile		3.7	6.6	15.3	13.8	10.5	11.6	17.3	42.8	21.6	6.4								
25th Percentile		1.7	2.1	13.4	12.4	9.1	7.6	14.3	37.3	18.2	2.2								
Median		0.6	-0.7	12.3	11.2	8.5	4.7	12.0	34.3	15.7	-0.3								
75th Percentile		-0.5	-3.3	11.0	10.2	7.5	2.1	9.5	31.0	13.4	-3.2								
95th Percentile		-2.2	-7.1	8.8	8.5	6.4	-2.4	5.8	26.6	10.2	-8.0								
# of Portfolios		270	270	266	249	212	270	291	274	274	294								
●	Jackson Square	-1.2 (87)	-6.2 (92)	11.0 (74)	12.3 (29)	-- (--)	5.9 (39)	13.8 (32)	35.6 (39)	17.0 (36)	8.9 (3)								
▲	Russell 1000 Growth	0.6 (50)	3.0 (17)	13.1 (34)	12.3 (28)	8.8 (40)	5.7 (42)	13.0 (38)	33.5 (56)	15.3 (55)	2.6 (22)								

# Jackson Square

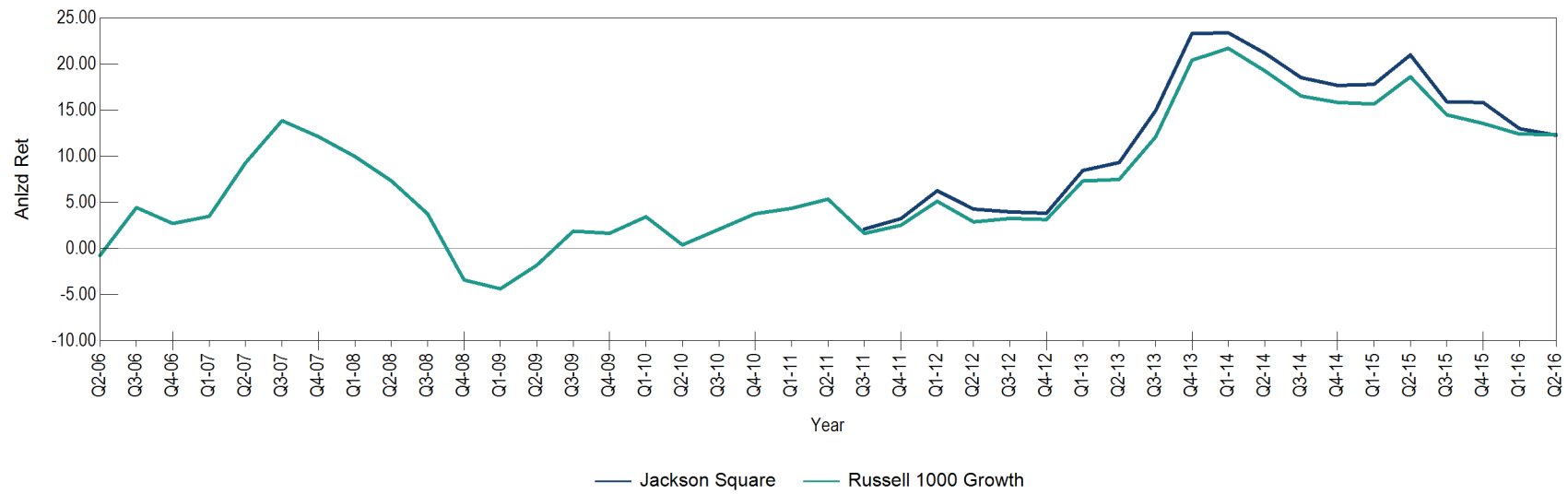
## Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

Rolling 3 Year Annualized Return (%)



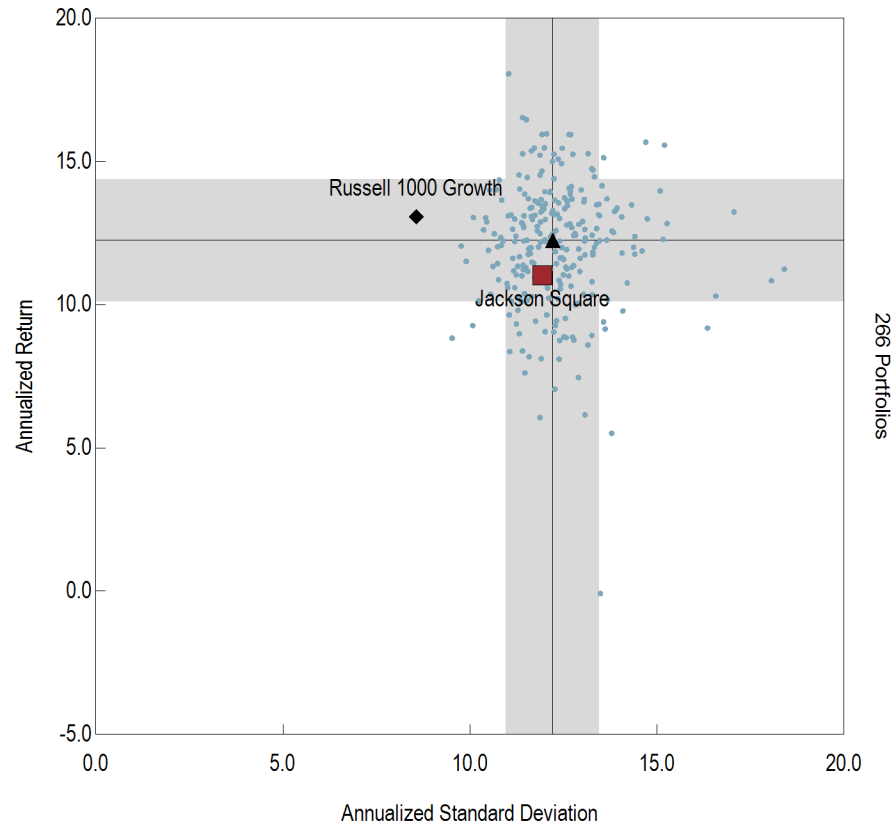
Rolling 5 Year Annualized Return (%)



# Jackson Square Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

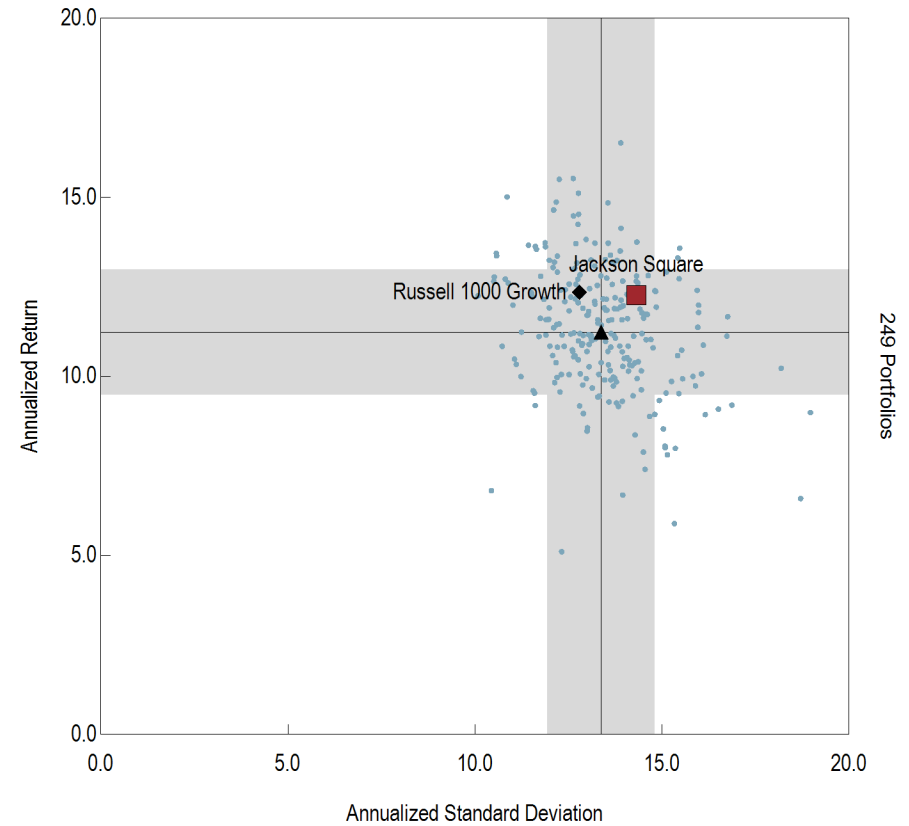
3 Years



3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Jackson Square	11.0%	11.9%	0.9
Russell 1000 Growth	13.1%	8.6%	1.5
eA US Large Cap Growth Equity Gross Median	12.3%	12.2%	1.0

5 Years



5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Jackson Square	12.3%	14.3%	0.9
Russell 1000 Growth	12.3%	12.8%	1.0
eA US Large Cap Growth Equity Gross Median	11.2%	13.4%	0.8

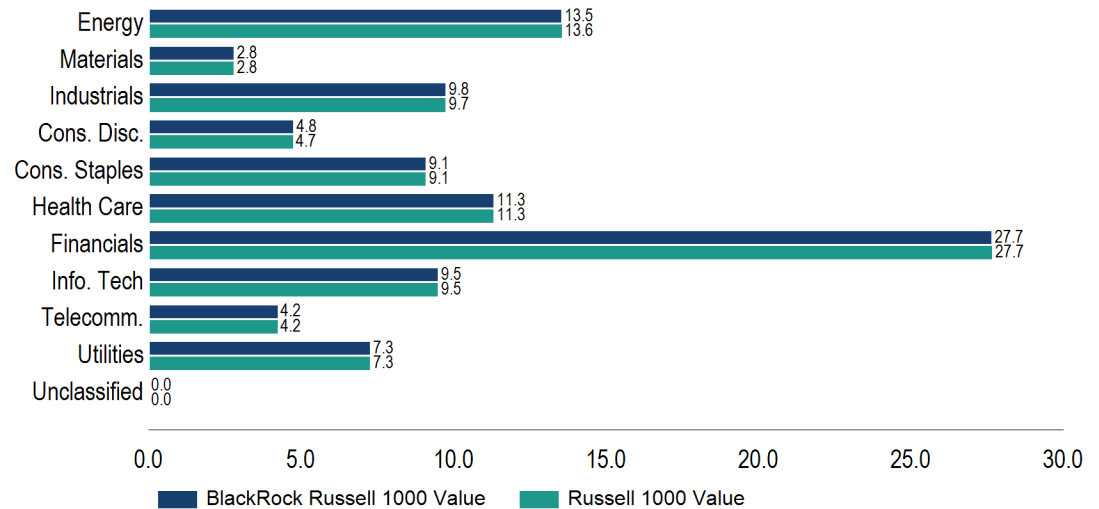
# BlackRock Russell 1000 Value Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	691	692
Weighted Avg. Market Cap. (\$B)	109.24	109.24
Median Market Cap. (\$B)	7.25	7.25
Price To Earnings	20.15	19.83
Price To Book	2.50	2.32
Price To Sales	2.65	2.57
Return on Equity (%)	12.40	12.00
Yield (%)	2.61	2.59
Beta	1.00	1.00

## Sector Allocation (%) vs Russell 1000 Value



## Largest Holdings

	End Weight	Return
EXXON MOBIL	3.81	13.09
JOHNSON & JOHNSON	2.70	12.90
BERKSHIRE HATHAWAY 'B'	2.68	2.05
AT&T	2.61	11.68
GENERAL ELECTRIC	2.29	-0.23
JP MORGAN CHASE & CO.	2.22	5.71
PROCTER & GAMBLE	2.21	3.71
WELLS FARGO & CO	2.12	-1.37
CHEVRON	1.93	11.05
PFIZER	1.93	19.87

## Top Contributors

	Avg Wgt	Return	Contribution
EXXON MOBIL	3.64	13.09	0.48
PFIZER	1.99	19.87	0.40
JOHNSON & JOHNSON	2.68	12.90	0.35
AT&T	2.03	11.68	0.24
CHEVRON	1.87	11.05	0.21
MEDTRONIC	1.11	15.69	0.17
MERCK & COMPANY	1.37	9.78	0.13
JP MORGAN CHASE & CO.	2.32	5.71	0.13
MONDELEZ INTERNATIONAL CL.A	0.69	13.90	0.10
HALLIBURTON	0.34	27.33	0.09

## Bottom Contributors

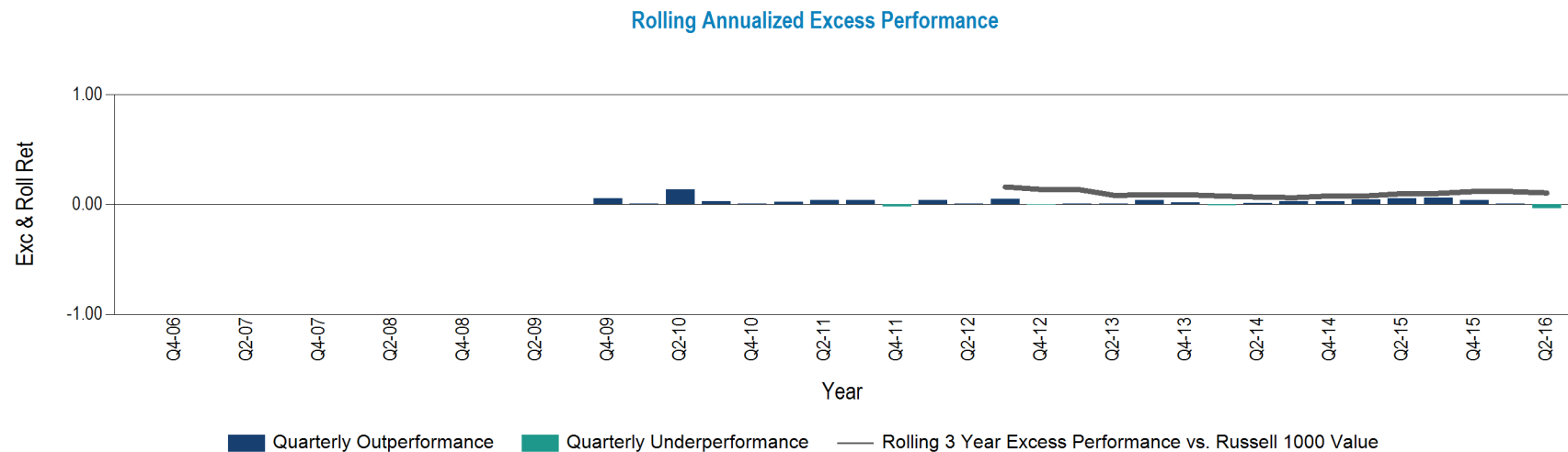
	Avg Wgt	Return	Contribution
MICROSOFT	1.85	-6.69	-0.12
ALLERGAN	0.52	-13.78	-0.07
TARGET	0.43	-14.51	-0.06
VALERO ENERGY	0.29	-19.61	-0.06
GENERAL MOTORS	0.51	-8.80	-0.04
PERRIGO	0.13	-29.02	-0.04
METLIFE	0.42	-8.51	-0.04
GOLDMAN SACHS GP.	0.69	-4.97	-0.03
PHILLIPS 66	0.45	-7.64	-0.03
CARNIVAL	0.21	-15.65	-0.03

Unclassified sector allocation includes cash allocations.

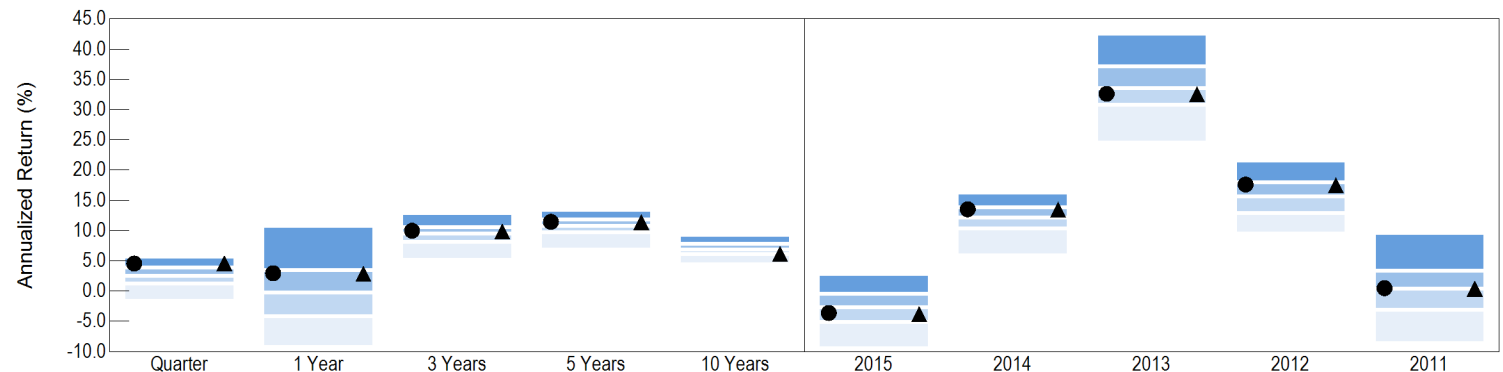


# BlackRock Russell 1000 Value Manager Performance Comparisons (Gross of Fees)

Period Ending: June 30, 2016



## BlackRock Russell 1000 Value vs. eA US Large Cap Value Equity Gross Universe

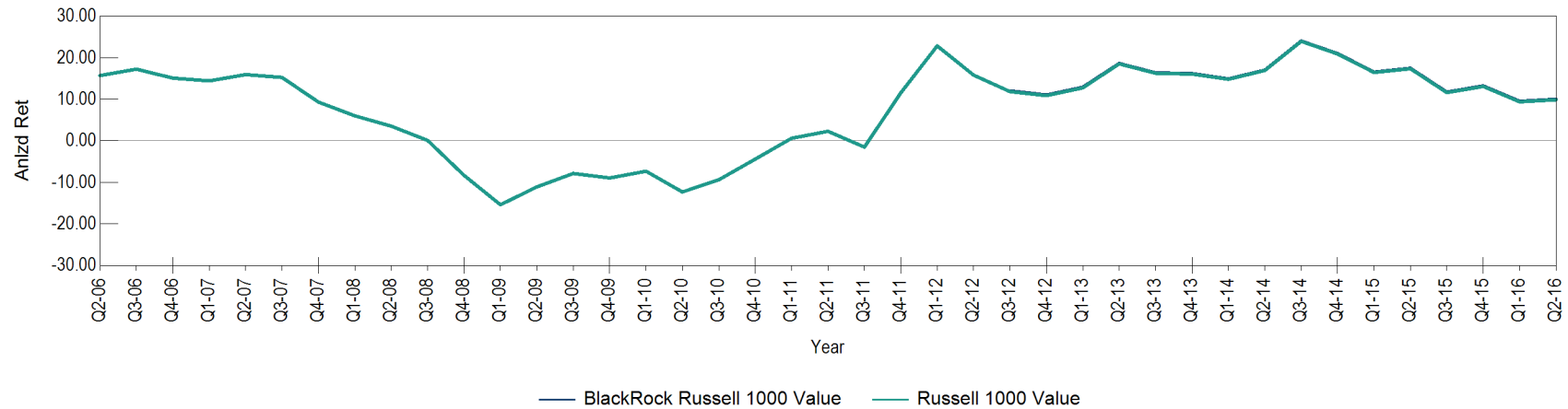


		Return (Rank)																	
5th Percentile		5.6	10.7	12.8	13.4	9.3	2.8	16.3	42.5	21.5	9.5								
25th Percentile		3.9	3.6	10.6	11.9	7.8	-0.4	13.9	37.2	18.0	3.4								
Median		2.5	-0.2	9.5	10.8	6.9	-2.6	12.2	33.6	15.7	0.5								
75th Percentile		1.3	-4.1	8.2	9.8	6.2	-5.1	10.4	30.8	13.0	-3.1								
95th Percentile		-1.5	-9.2	5.2	6.9	4.4	-9.4	5.9	24.6	9.6	-8.6								
# of Portfolios		326	326	317	300	248	312	307	310	303	310								
●	BlackRock Russell 1000 Value	4.5 (15)	2.9 (29)	10.0 (38)	11.4 (36)	-- (--)	-3.6 (62)	13.5 (31)	32.6 (59)	17.6 (30)	0.5 (50)								
▲	Russell 1000 Value	4.6 (15)	2.9 (29)	9.9 (40)	11.4 (39)	6.1 (76)	-3.8 (64)	13.5 (33)	32.5 (60)	17.5 (30)	0.4 (51)								

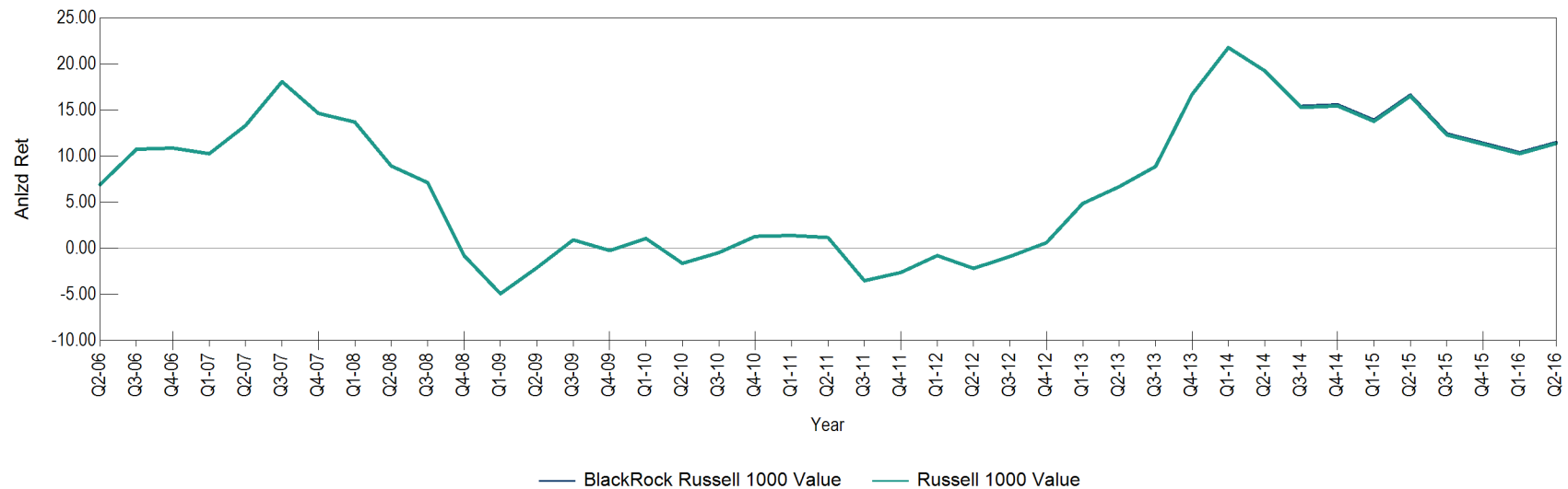
# BlackRock Russell 1000 Value Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

Rolling 3 Year Annualized Return (%)

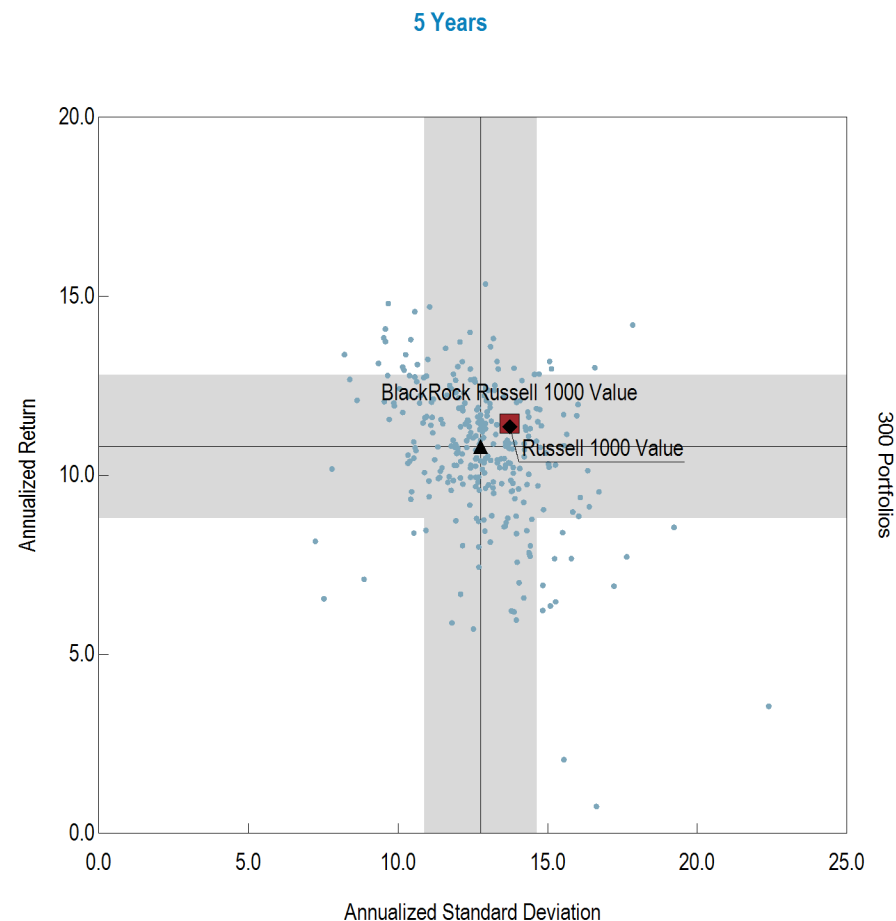
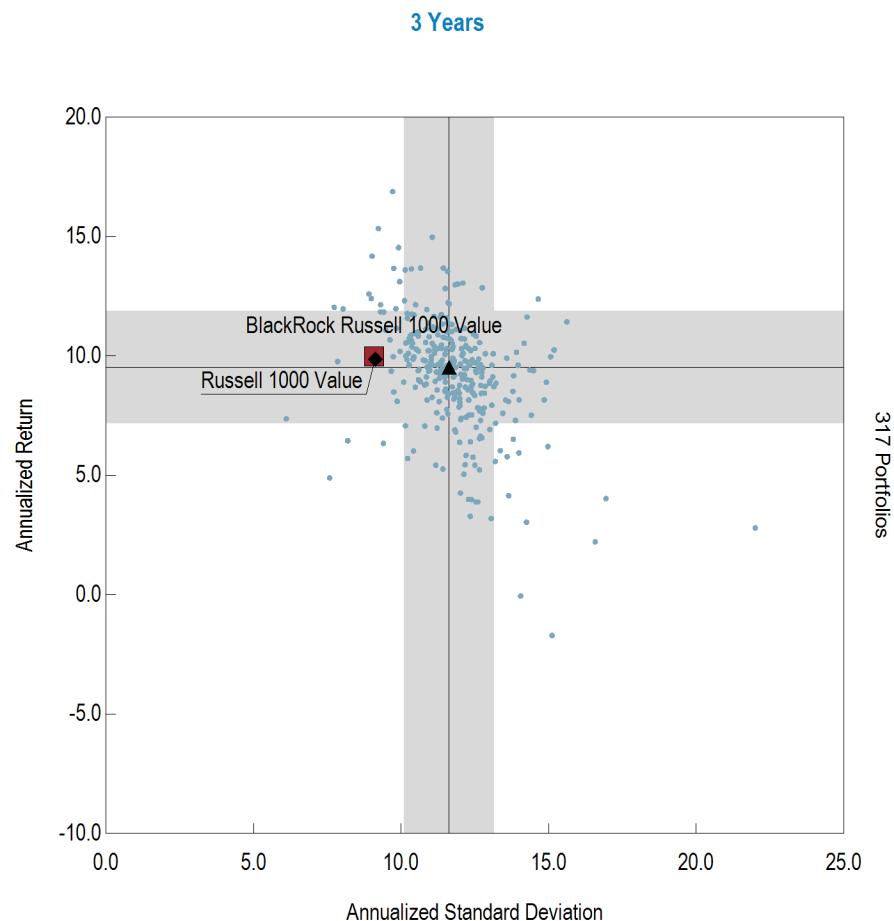


Rolling 5 Year Annualized Return (%)



# BlackRock Russell 1000 Value Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016



	<b>3 Years</b>		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
BlackRock Russell 1000 Value	10.0%	9.1%	1.1
Russell 1000 Value	9.9%	9.1%	1.1
eA US Large Cap Value Equity Gross Median	9.5%	11.6%	0.8

	<b>5 Years</b>		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
BlackRock Russell 1000 Value	11.4%	13.7%	0.8
Russell 1000 Value	11.4%	13.7%	0.8
eA US Large Cap Value Equity Gross Median	10.8%	12.8%	0.8

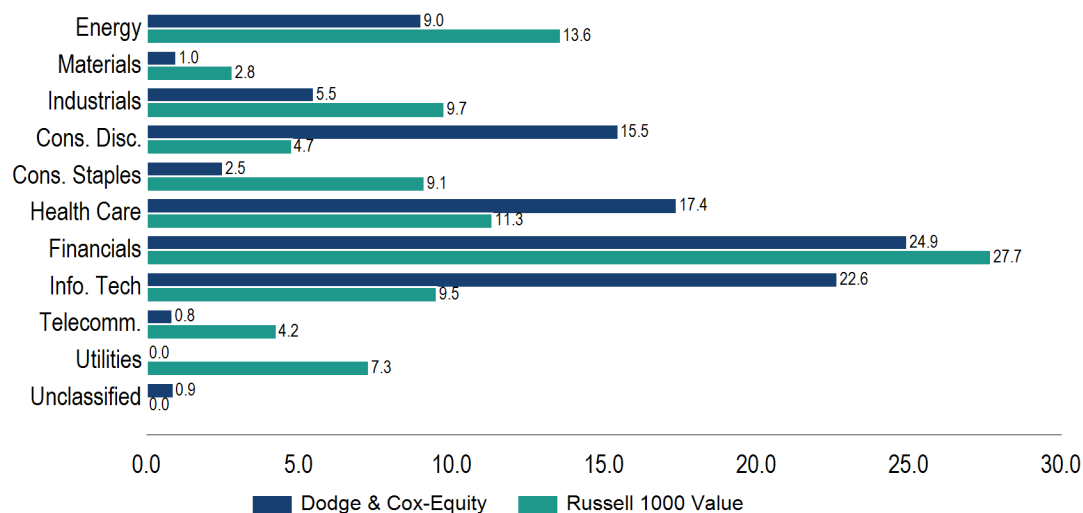
# Dodge & Cox-Equity Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	65	692
Weighted Avg. Market Cap. (\$B)	92.94	109.24
Median Market Cap. (\$B)	33.45	7.25
Price To Earnings	20.04	19.83
Price To Book	2.57	2.32
Price To Sales	2.38	2.57
Return on Equity (%)	12.74	12.00
Yield (%)	2.00	2.59
Beta	1.03	1.00

## Sector Allocation (%) vs Russell 1000 Value



## Largest Holdings

	End Weight	Return
WELLS FARGO & CO	3.63	-1.37
CAPITAL ONE FINL.	3.50	-7.84
NOVARTIS 'B' SPN.ADR 1:1	3.29	13.90
BANK OF AMERICA	3.25	-1.52
COMCAST 'A'	3.16	7.21
HEWLETT PACKARD ENTER.	3.09	3.35
TIME WARNER	3.07	1.92
MICROSOFT	2.98	-6.69
CHARLES SCHWAB	2.91	-9.44
CHARTER COMMS.CL.A	2.81	2.13

## Top Contributors

	Avg Wgt	Return	Contribution
NOVARTIS 'B' SPN.ADR 1:1	2.98	13.90	0.41
APACHE	1.80	14.58	0.26
SCHLUMBERGER	2.82	7.92	0.22
SANOFI ADR 2:1	2.56	8.64	0.22
UNITEDHEALTH GROUP	2.14	10.04	0.22
COMCAST 'A'	2.95	7.21	0.21
SPRINT	0.64	30.17	0.19
EXPRESS SCRIPTS HOLDING	1.75	10.35	0.18
SYMANTEC	1.47	12.24	0.18
TYCO INTERNATIONAL	0.96	16.69	0.16

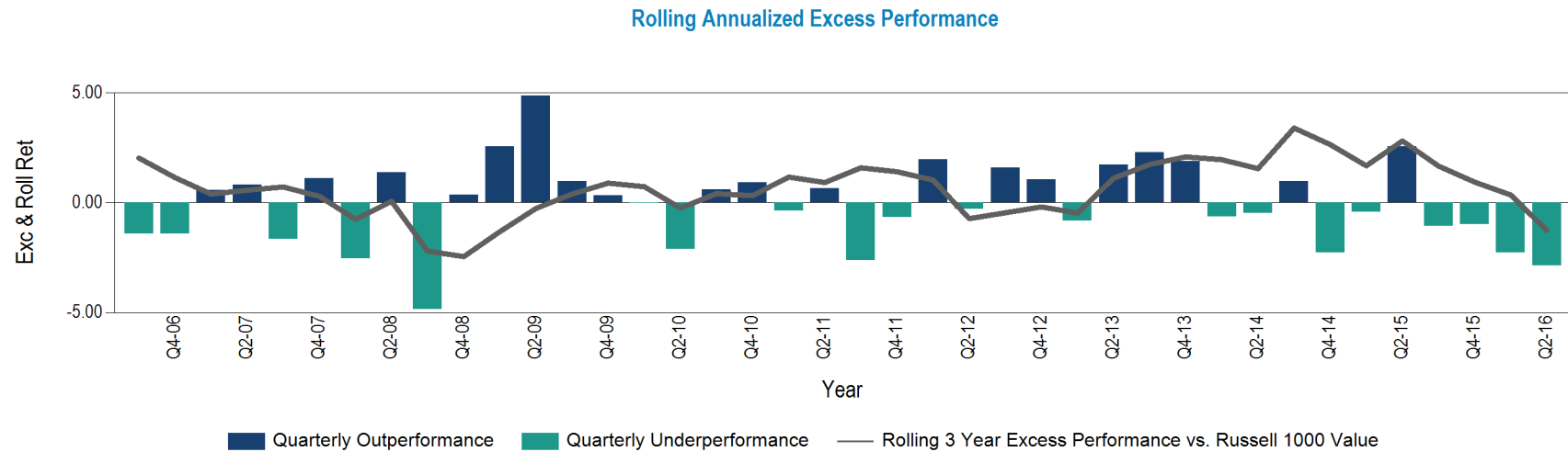
## Bottom Contributors

	Avg Wgt	Return	Contribution
CHARLES SCHWAB	3.27	-9.44	-0.31
CAPITAL ONE FINL.	3.89	-7.84	-0.31
MICROSOFT	3.03	-6.69	-0.20
ALPHABET 'C'	2.29	-7.09	-0.16
AEGON NV.ADR.1:1	0.62	-25.01	-0.15
FEDEX	2.22	-6.49	-0.14
TARGET	0.95	-14.51	-0.14
METLIFE	1.60	-8.51	-0.14
CIGNA	1.94	-6.74	-0.13
GOLDMAN SACHS GP.	2.31	-4.97	-0.11

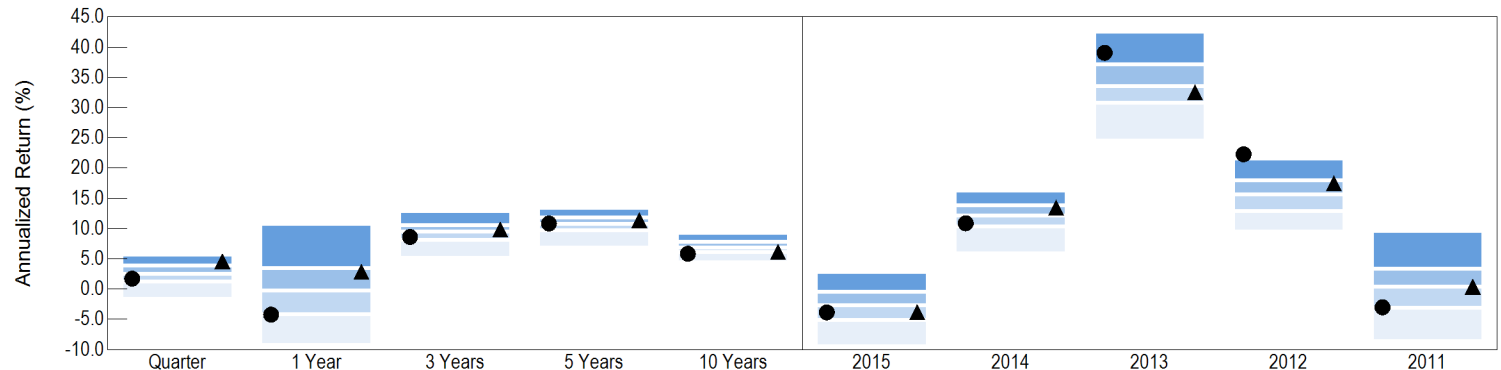
Unclassified sector allocation includes cash allocations.

# Dodge & Cox-Equity Manager Performance Comparisons (Gross of Fees)

Period Ending: June 30, 2016



## Dodge & Cox-Equity vs. eA US Large Cap Value Equity Gross Universe

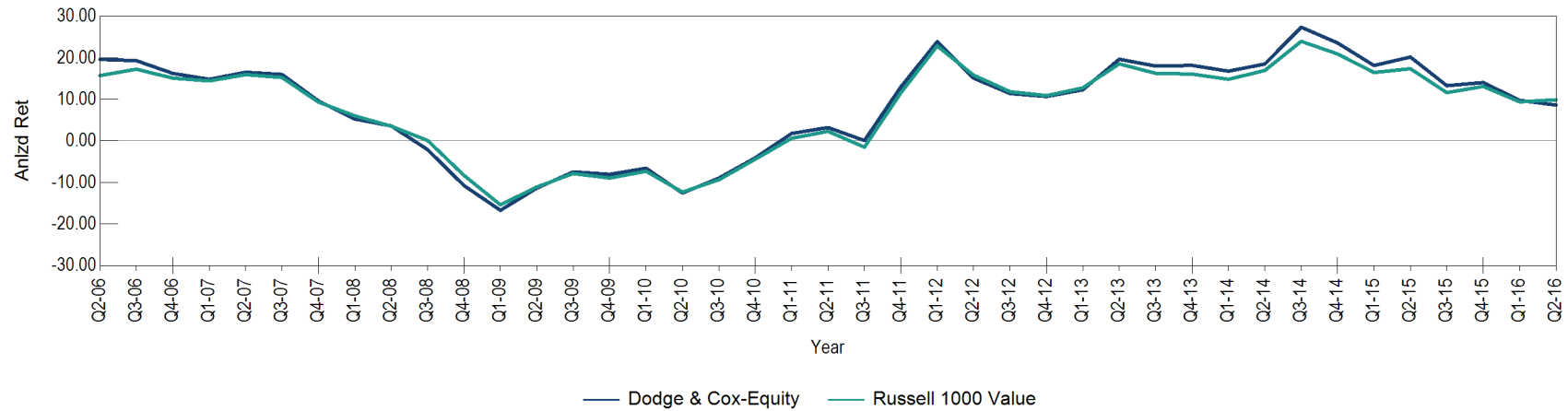


	Quarter	1 Year	3 Years	5 Years	10 Years	2015	2014	2013	2012	2011
<b>Return (Rank)</b>										
5th Percentile	5.6	10.7	12.8	13.4	9.3	2.8	16.3	42.5	21.5	9.5
25th Percentile	3.9	3.6	10.6	11.9	7.8	-0.4	13.9	37.2	18.0	3.4
Median	2.5	-0.2	9.5	10.8	6.9	-2.6	12.2	33.6	15.7	0.5
75th Percentile	1.3	-4.1	8.2	9.8	6.2	-5.1	10.4	30.8	13.0	-3.1
95th Percentile	-1.5	-9.2	5.2	6.9	4.4	-9.4	5.9	24.6	9.6	-8.6
<b># of Portfolios</b>	326	326	317	300	248	312	307	310	303	310
● Dodge & Cox-Equity	1.7 (68)	-4.2 (76)	8.6 (69)	10.8 (50)	5.8 (81)	-3.9 (64)	10.9 (72)	39.1 (15)	22.3 (3)	-3.0 (75)
▲ Russell 1000 Value	4.6 (15)	2.9 (29)	9.9 (40)	11.4 (39)	6.1 (76)	-3.8 (64)	13.5 (33)	32.5 (60)	17.5 (30)	0.4 (51)

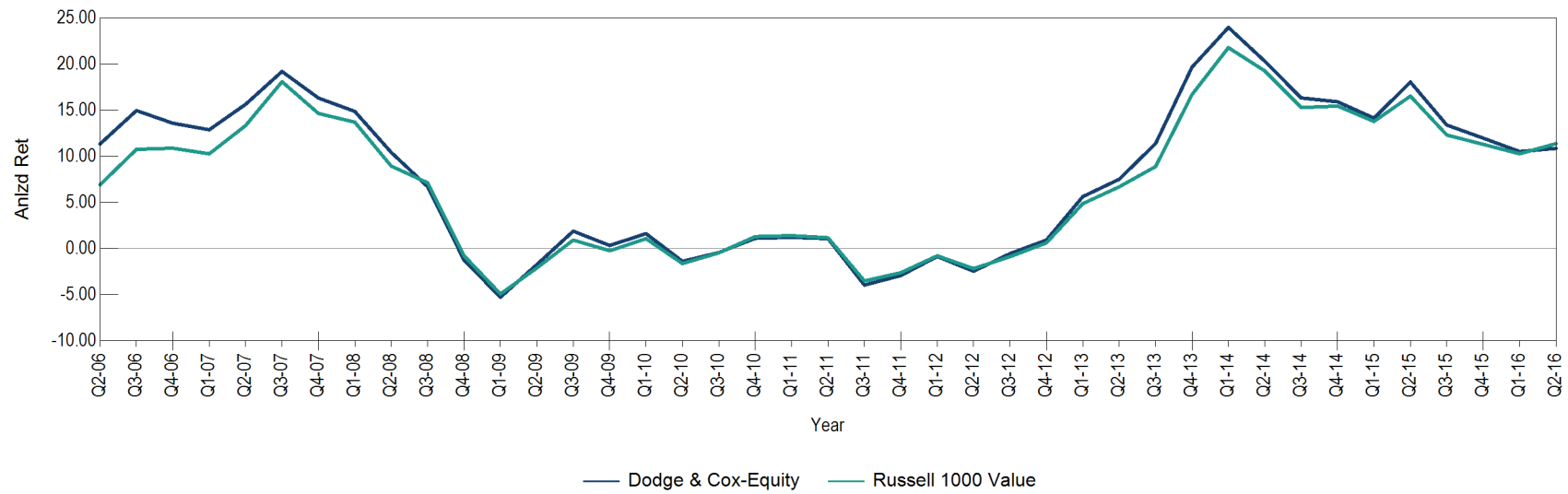
Dodge & Cox-Equity  
Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

Rolling 3 Year Annualized Return (%)



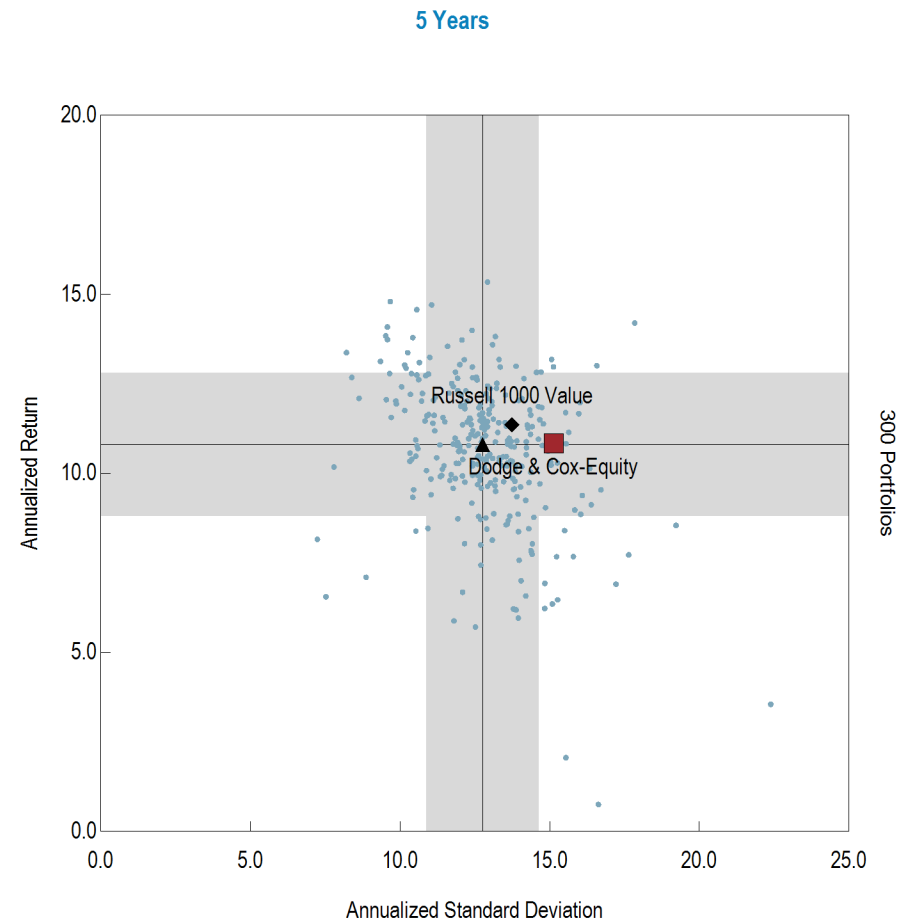
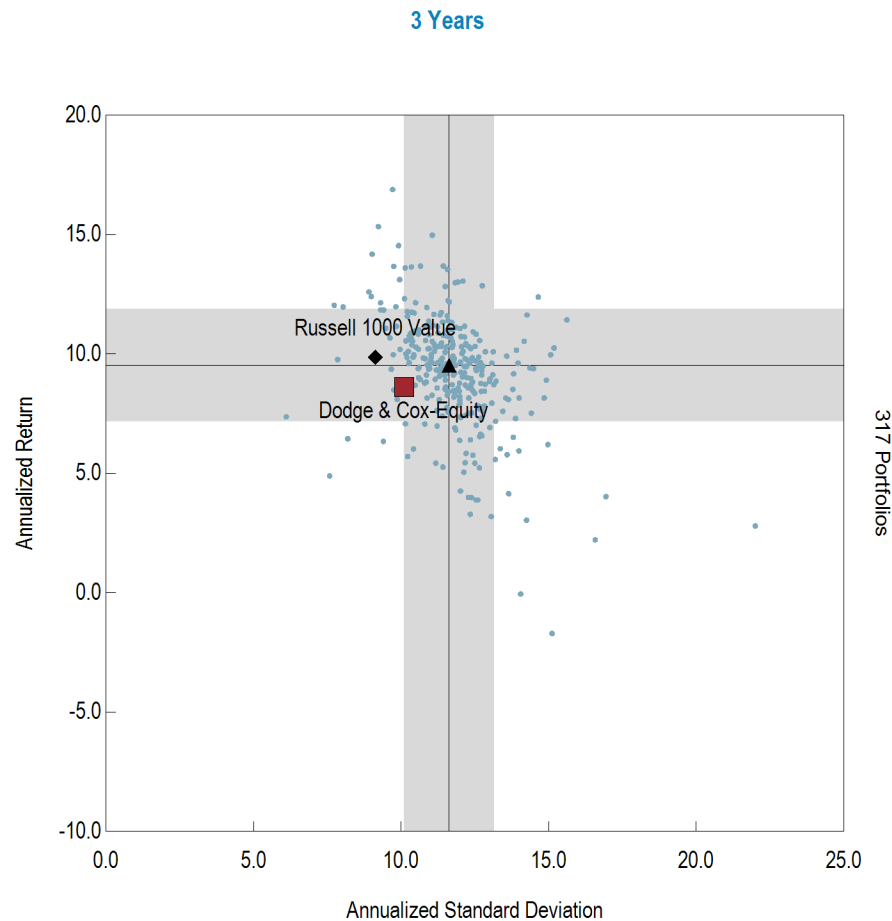
Rolling 5 Year Annualized Return (%)



# Dodge & Cox-Equity

## Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016



	3 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Dodge & Cox-Equity	8.6%	10.1%	0.8
Russell 1000 Value	9.9%	9.1%	1.1
eA US Large Cap Value Equity Gross Median	9.5%	11.6%	0.8

	5 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Dodge & Cox-Equity	10.8%	15.1%	0.7
Russell 1000 Value	11.4%	13.7%	0.8
eA US Large Cap Value Equity Gross Median	10.8%	12.8%	0.8

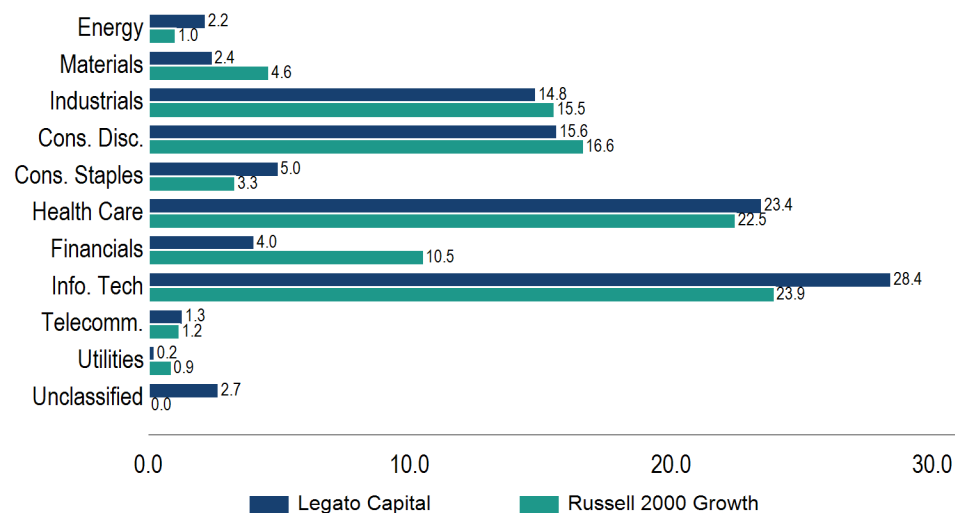
# Legato Capital Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	Russell 2000 Growth
Number of Holdings	405	1,177
Weighted Avg. Market Cap. (\$B)	2.12	1.80
Median Market Cap. (\$B)	1.46	0.76
Price To Earnings	32.38	26.56
Price To Book	4.64	4.31
Price To Sales	3.24	3.13
Return on Equity (%)	12.88	14.63
Yield (%)	0.44	0.69
Beta	1.02	1.00

## Sector Allocation (%) vs Russell 2000 Growth



## Largest Holdings

	End Weight	Return
LIGAND PHARMS.'B'	2.34	11.37
LIFELOCK	2.23	30.99
SYNCHRONOSS TECHNOLOGIES	1.77	-1.48
ECHO GLOBAL LOGISTICS	1.76	-17.45
FLEETMATICS GROUP	1.55	6.44
CRITEO ADR 1:1	1.43	10.86
AMSURG	1.28	3.94
POOL	1.17	7.55
BROADSOFT	1.15	1.69
IGI LABORATORIES	1.13	45.71

## Top Contributors

	Avg Wgt	Return	Contribution
LIFELOCK	1.75	30.99	0.54
IGI LABORATORIES	0.88	45.71	0.40
LIGAND PHARMS.'B'	2.42	11.37	0.28
SUPERNUS PHARMACEUTICALS	0.65	33.57	0.22
DREW INDS.	0.64	32.12	0.21
HAIN CELESTIAL GP.	0.94	21.61	0.20
DAVE & BUSTER'S ENTM.	0.96	20.65	0.20
CELATOR PHARMACEUTICALS	0.11	173.62	0.20
ANIKA THERAPEUTICS	0.98	19.97	0.20
VASCULAR SOLUTIONS	0.61	28.07	0.17

## Bottom Contributors

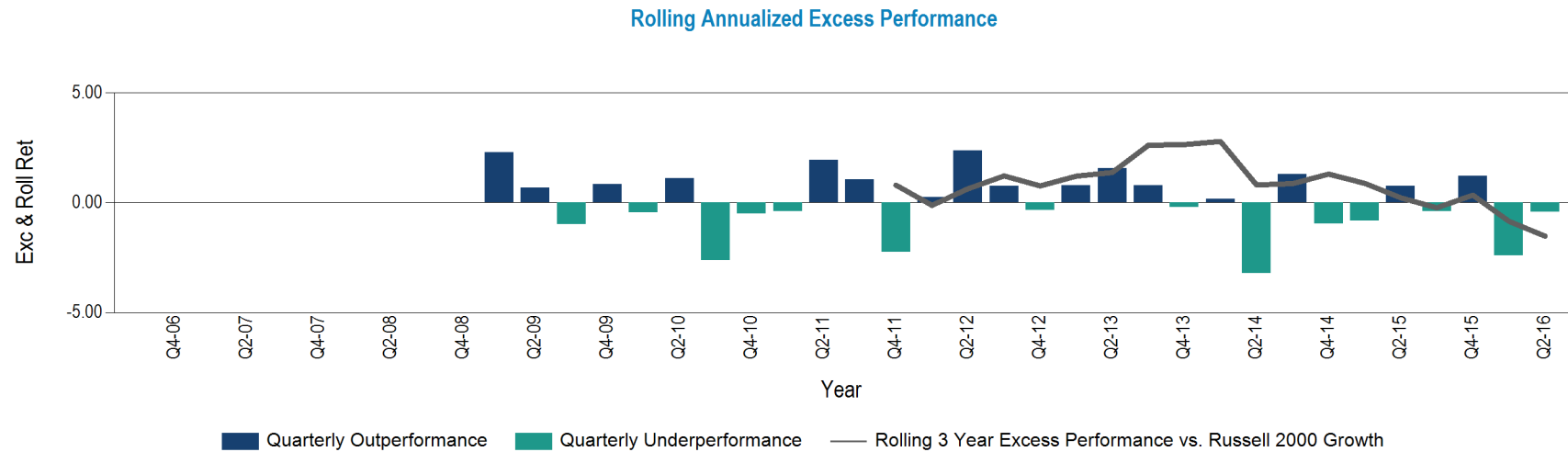
	Avg Wgt	Return	Contribution
ECHO GLOBAL LOGISTICS	1.92	-17.45	-0.34
RUBICON PROJECT	1.17	-25.33	-0.30
STAMPS.COM	0.97	-17.75	-0.17
PRA GROUP	0.82	-17.86	-0.15
BOTTOMLINE TECHS.	0.49	-29.39	-0.14
CAVIUM	0.39	-36.89	-0.14
EMERGENT BIOSOLUTIONS	0.55	-22.64	-0.12
MDC PARTNERS 'A' (NAS)	0.56	-21.51	-0.12
HAEMONETICS	0.68	-17.12	-0.12
MICROSEMI	0.79	-14.70	-0.12

Unclassified sector allocation includes cash allocations.

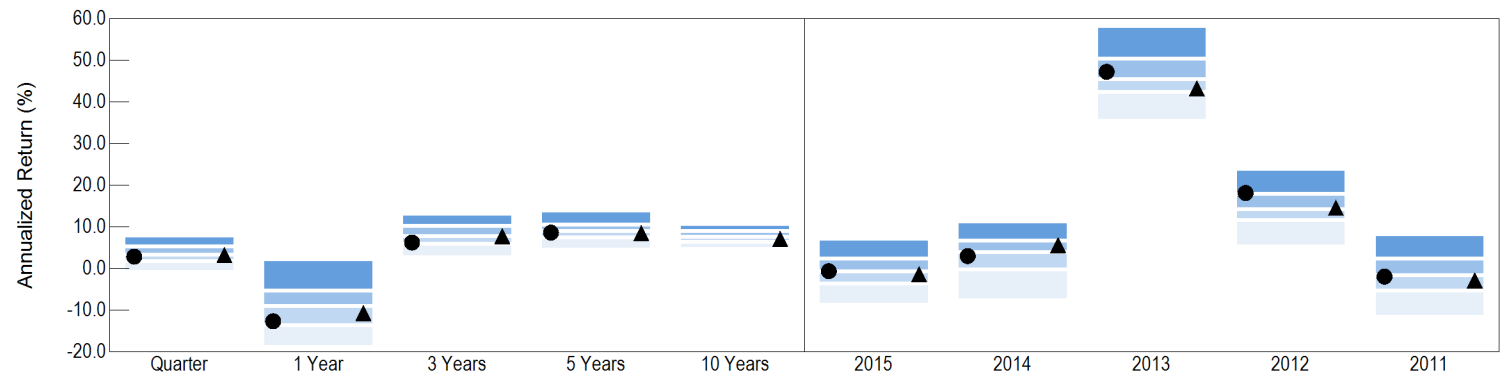


# Legato Capital Manager Performance Comparisons (Gross of Fees)

Period Ending: June 30, 2016



## Legato Capital vs. eA US Small Cap Growth Equity Gross Universe



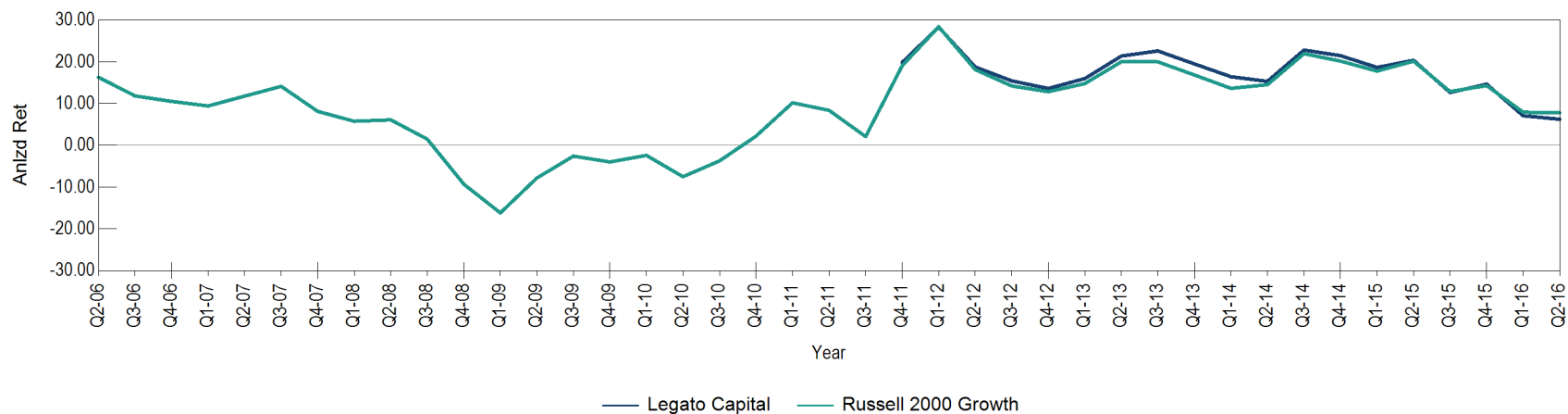
		Return (Rank)																	
5th Percentile		7.8	2.1	13.1	13.9	10.7	7.1	11.3	58.2	23.8	8.1								
25th Percentile		5.3	-5.3	10.2	10.6	9.0	2.5	6.7	50.6	18.0	2.4								
Median		3.4	-8.9	7.9	9.0	7.7	-0.6	3.9	45.6	14.3	-1.5								
75th Percentile		1.8	-13.6	6.0	7.5	6.4	-3.5	-0.1	42.6	11.6	-5.2								
95th Percentile		-0.7	-18.7	2.8	4.7	4.7	-8.7	-7.6	35.6	5.4	-11.5								
# of Portfolios		156	156	152	145	119	154	161	160	162	166								
●	Legato Capital	2.8 (61)	-12.7 (67)	6.2 (72)	8.6 (57)	-- (--)	-0.7 (52)	3.0 (57)	47.3 (41)	18.1 (24)	-2.0 (54)								
▲	Russell 2000 Growth	3.2 (53)	-10.8 (61)	7.7 (54)	8.5 (58)	7.1 (62)	-1.4 (59)	5.6 (32)	43.3 (70)	14.6 (48)	-2.9 (60)								

# Legato Capital

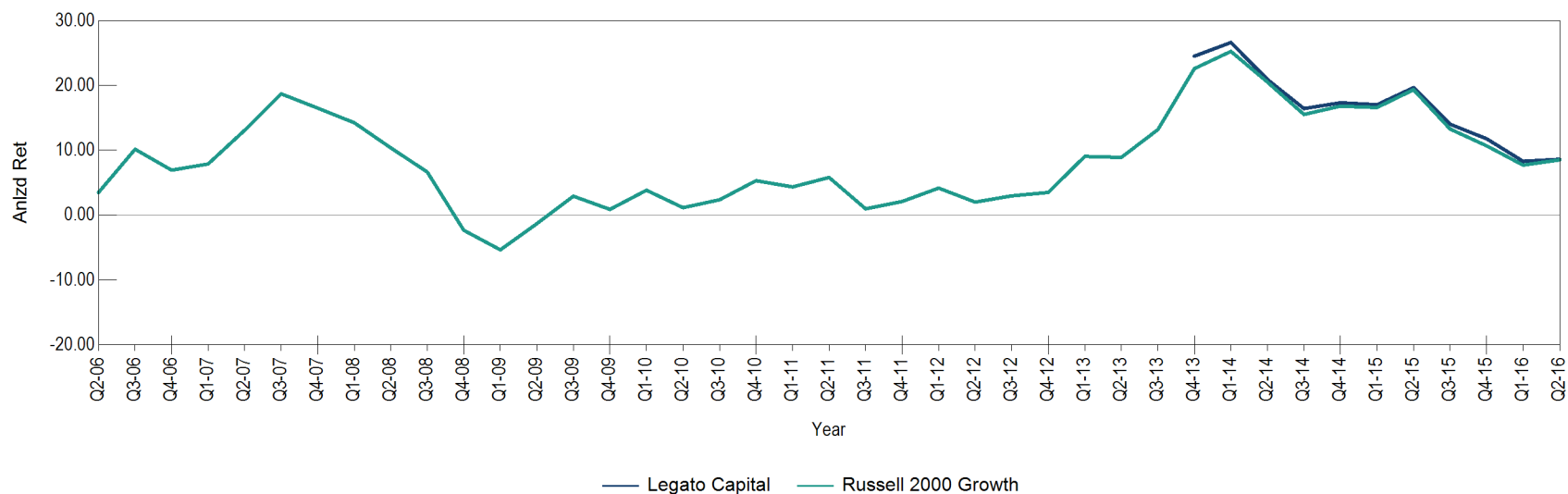
## Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

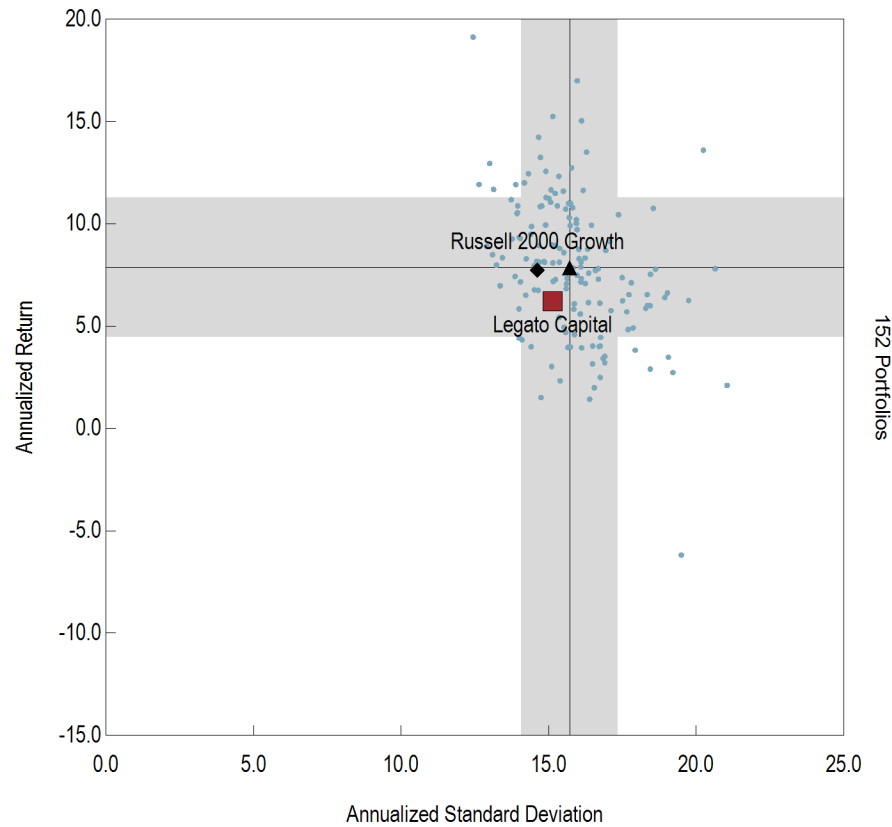
Rolling 3 Year Annualized Return (%)



Rolling 5 Year Annualized Return (%)



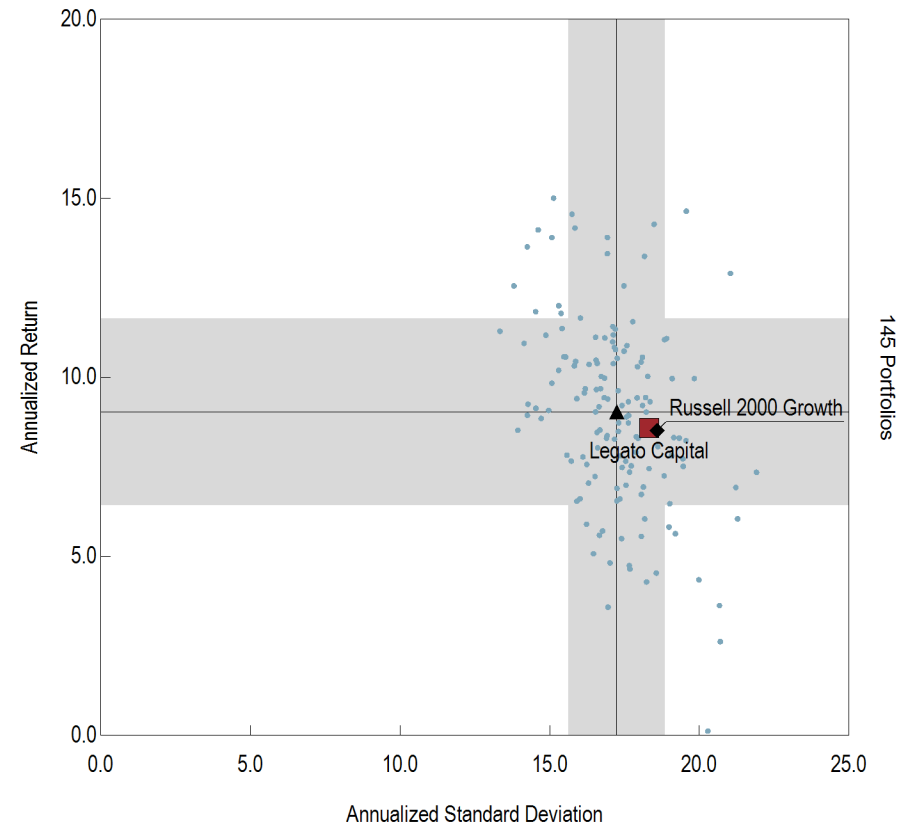
3 Years



3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Legato Capital	6.2%	15.1%	0.4
Russell 2000 Growth	7.7%	14.6%	0.5
eA US Small Cap Growth Equity Gross Median	7.9%	15.7%	0.5

5 Years



5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Legato Capital	8.6%	18.3%	0.5
Russell 2000 Growth	8.5%	18.6%	0.5
eA US Small Cap Growth Equity Gross Median	9.0%	17.2%	0.5

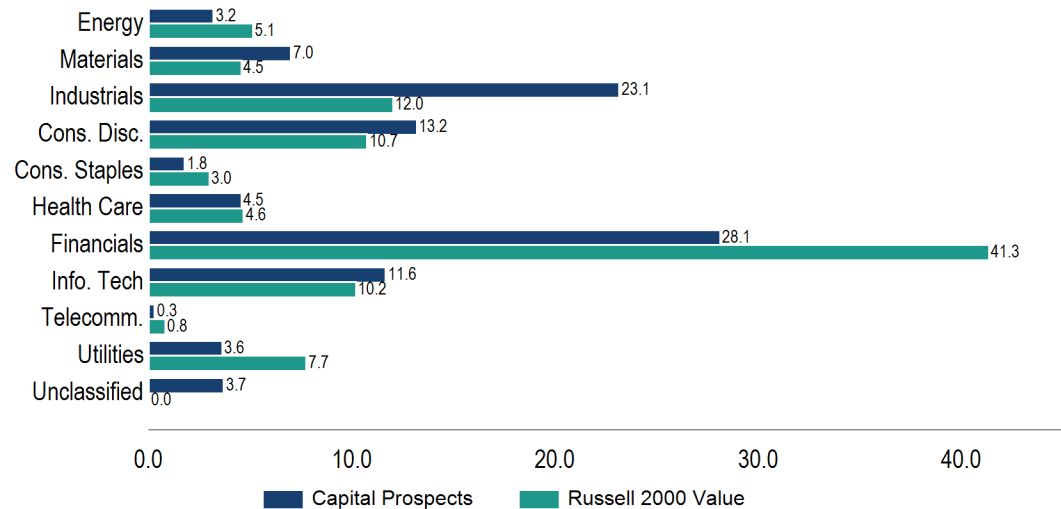
# Capital Prospects Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	Russell 2000 Value
Number of Holdings	308	1,361
Weighted Avg. Market Cap. (\$B)	2.00	1.58
Median Market Cap. (\$B)	1.06	0.56
Price To Earnings	20.46	16.75
Price To Book	2.37	1.52
Price To Sales	1.95	2.26
Return on Equity (%)	11.06	7.06
Yield (%)	1.90	2.02
Beta	0.94	1.00

## Sector Allocation (%) vs Russell 2000 Value



## Largest Holdings

	End Weight	Return
ALLETE	1.73	16.32
LITTELFUSE	1.21	-3.75
MB FINANCIAL	1.15	12.40
HILLENBRAND	1.13	0.96
IBERIABANK	0.92	17.19
ABM INDS.	0.89	13.49
CINEMARK HOLDINGS	0.87	2.55
CORPORATE OFFICE PROPS. TST.	0.79	13.76
DELUXE	0.78	6.72
BOOZ ALLEN HAMILTN.HLDG.	0.76	-1.61

## Top Contributors

	Avg Wgt	Return	Contribution
ALLETE	1.58	16.32	0.26
RANGE RES.	0.62	33.29	0.21
INNOFOS HOLDINGS	0.44	38.36	0.17
DYNAMIC MATS.	0.25	66.22	0.16
LANDAUER	0.61	25.33	0.15
IBERIABANK	0.88	17.19	0.15
MASIMO	0.58	25.51	0.15
BARRETT BUS.SVS.	0.32	44.85	0.14
MB FINANCIAL	1.13	12.40	0.14
FIRST INDL.REALTY TST.	0.57	23.21	0.13

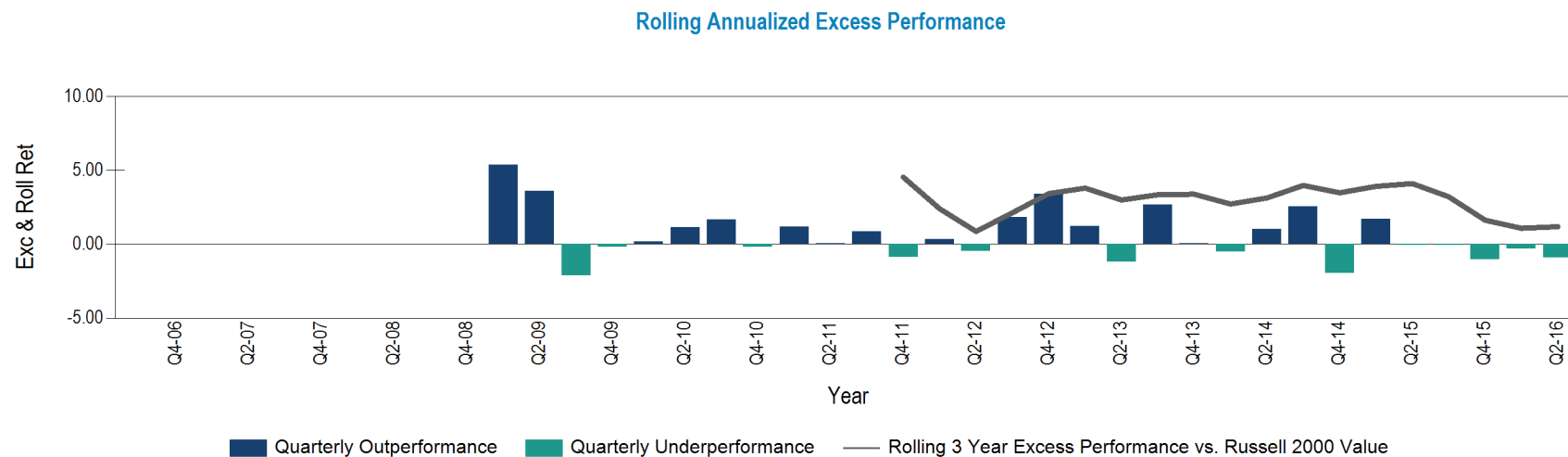
## Bottom Contributors

	Avg Wgt	Return	Contribution
BABCOCK & WILCOX	0.54	-31.36	-0.17
ENTS.	0.64	-22.72	-0.14
ENPRO INDS.	0.82	-16.48	-0.14
AIR LEASE	0.59	-20.07	-0.12
MODINE	0.25	-41.73	-0.11
MANUFACTURING	0.72	-14.70	-0.11
ZAGG	0.51	-19.66	-0.10
MICROSEMI	0.54	-18.37	-0.10
DAKTRONICS	0.68	-14.09	-0.10
LITHIA MOTORS 'A'	0.63	-15.18	-0.10
EVERCORE PARTNERS 'A'			
AMERICAN			
EQ.INV.LF.HLDG.			

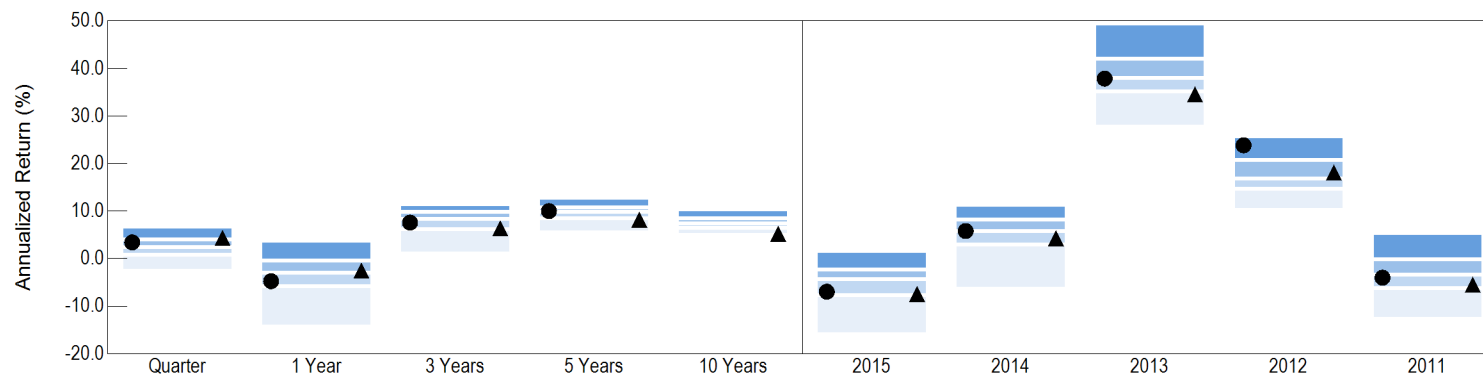
Unclassified sector allocation includes cash allocations.

# Capital Prospects Manager Performance Comparisons (Gross of Fees)

Period Ending: June 30, 2016



## Capital Prospects vs. eA US Small Cap Value Equity Gross Universe



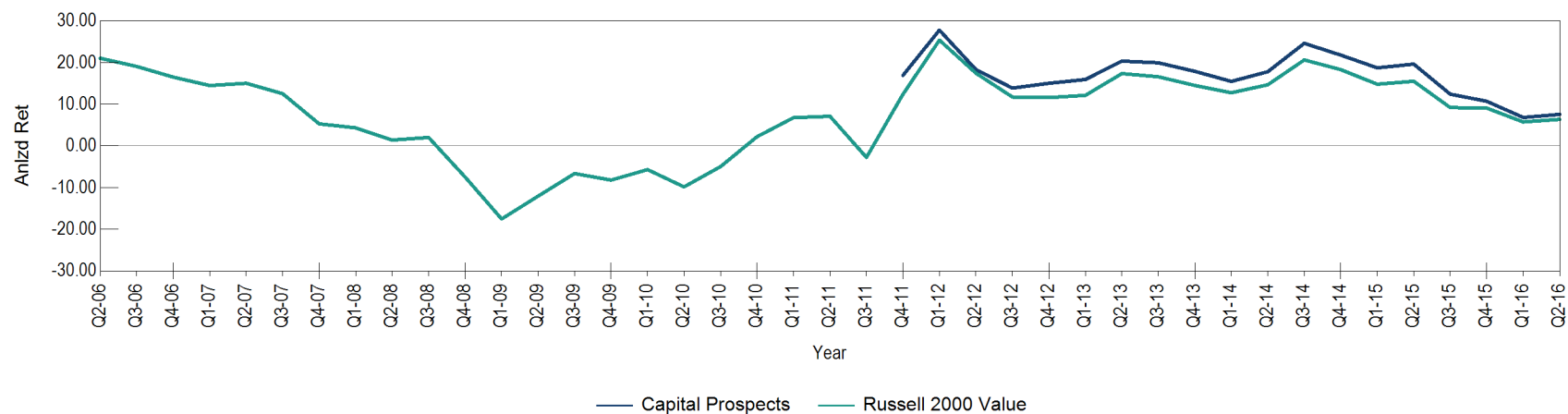
	Return (Rank)																			
5th Percentile	6.6		3.6		11.4		12.7		10.3		1.5		11.2		49.4		25.7		5.3	
25th Percentile	4.1		-0.3		9.9		10.9		8.5		-2.2		8.2		42.1		20.8		0.0	
Median	2.5		-2.9		8.4		9.9		7.5		-4.3		5.8		38.1		16.9		-3.3	
75th Percentile	0.9		-5.8		6.2		8.5		6.5		-7.7		3.1		35.2		14.7		-6.2	
95th Percentile	-2.6		-14.3		1.1		5.6		5.0		-15.8		-6.3		27.8		10.3		-12.6	
# of Portfolios	211		211		205		197		153		212		206		199		187		177	
● Capital Prospects	3.4	(39)	-4.8	(68)	7.5	(65)	10.0	(48)	--	(--)	-7.0	(72)	5.8	(51)	37.9	(53)	23.8	(9)	-4.0	(59)
▲ Russell 2000 Value	4.3	(22)	-2.6	(46)	6.4	(75)	8.1	(80)	5.2	(94)	-7.5	(74)	4.2	(68)	34.5	(78)	18.1	(43)	-5.5	(69)

# Capital Prospects

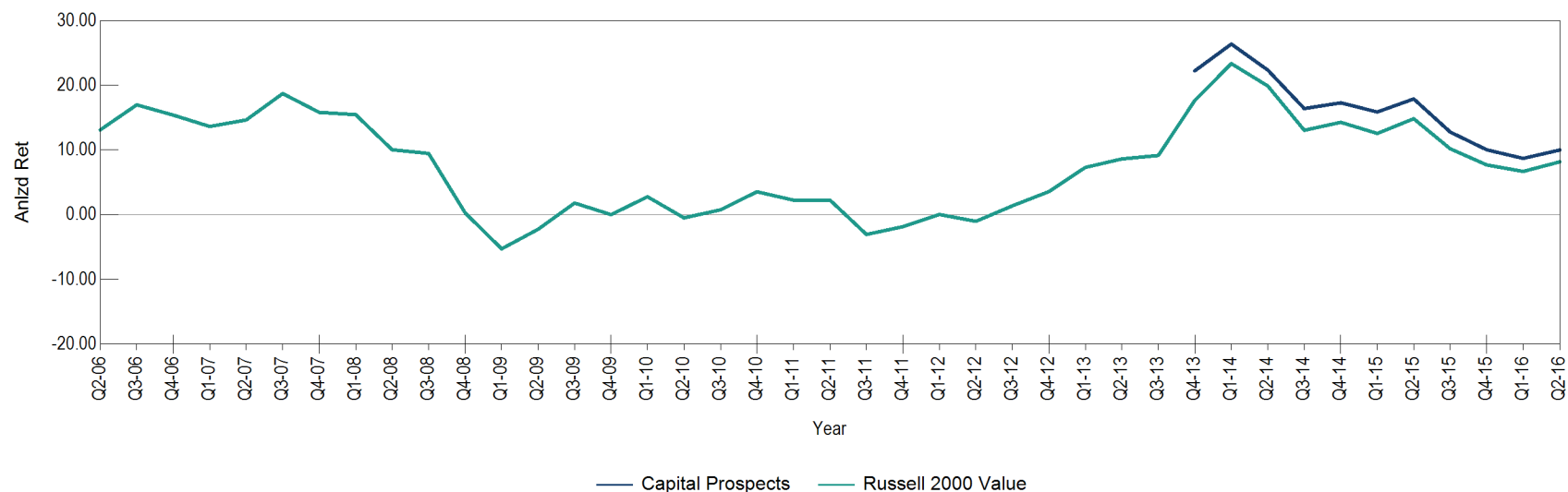
## Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

Rolling 3 Year Annualized Return (%)



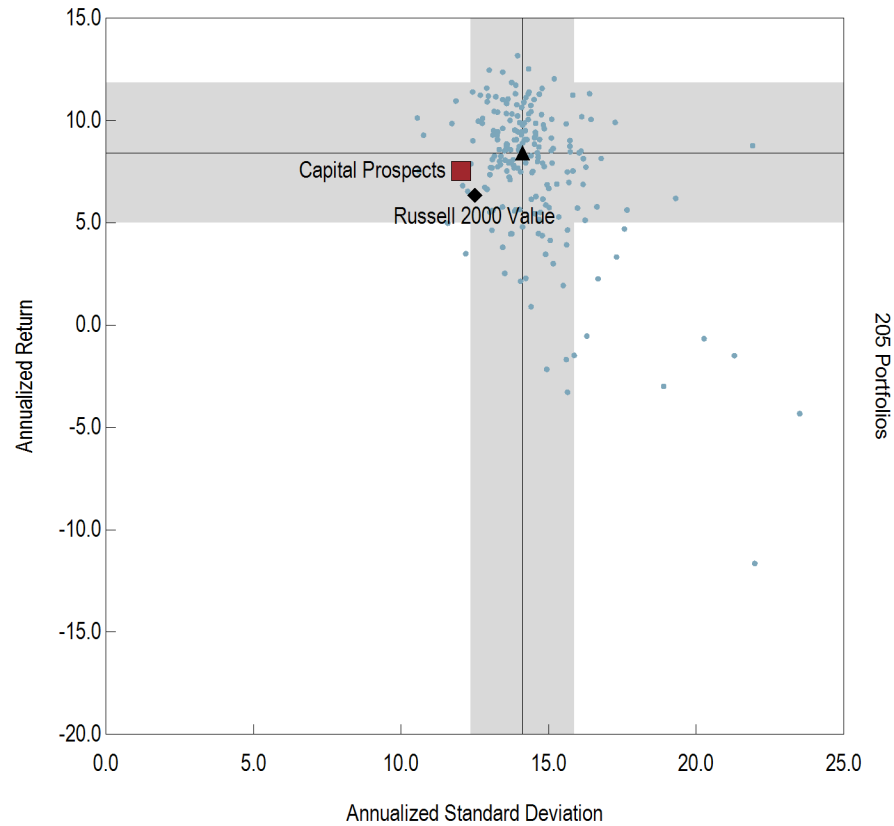
Rolling 5 Year Annualized Return (%)



# Capital Prospects Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

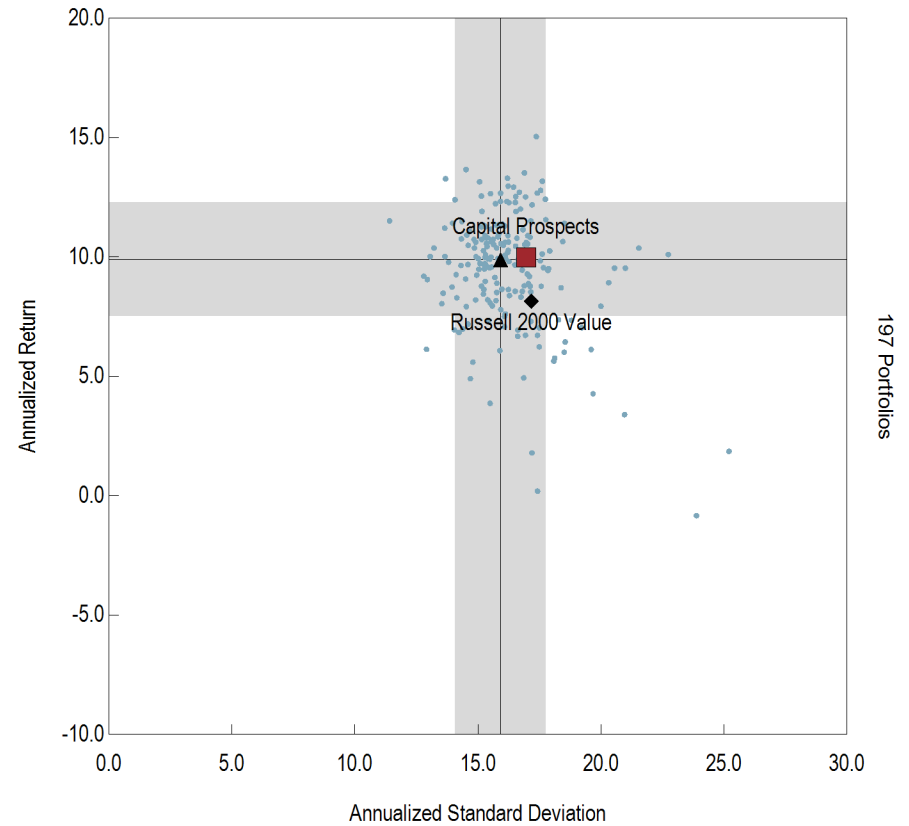
3 Years



3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Capital Prospects	7.5%	12.0%	0.6
Russell 2000 Value	6.4%	12.5%	0.5
eA US Small Cap Value Equity Gross Median	8.4%	14.1%	0.6

5 Years



5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Capital Prospects	10.0%	17.0%	0.6
Russell 2000 Value	8.1%	17.2%	0.5
eA US Small Cap Value Equity Gross Median	9.9%	15.9%	0.6

## International Equity Managers

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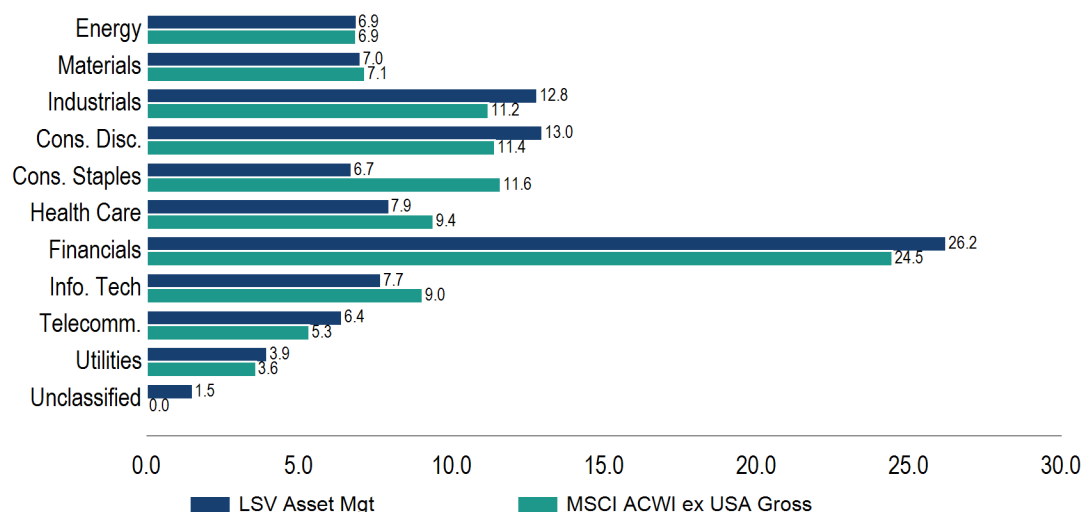
# LSV Asset Mgt Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	254	1,859
Weighted Avg. Market Cap. (\$B)	26.98	48.12
Median Market Cap. (\$B)	5.98	6.51
Price To Earnings	12.29	18.75
Price To Book	1.59	2.43
Price To Sales	1.01	2.25
Return on Equity (%)	12.50	13.86
Yield (%)	4.15	3.22
Beta	1.10	1.00

## Sector Allocation (%) vs MSCI ACWI ex USA Gross



## Largest Holdings

	End Weight	Return
NIPPON TELG. & TEL.	1.92	8.47
SAMSUNG ELECTRONICS	1.64	7.83
SANOFI	1.53	7.36
BAE SYSTEMS	1.28	-1.85
ALLIANZ	1.17	-8.11
MAGNA INTL.	1.13	-18.59
SWISS RE	1.12	-1.44
ROYAL DUTCH SHELL B	1.04	15.00
BAYER	1.01	-12.23
DELHAIZE GROUP	0.98	1.84

## Top Contributors

	Avg Wgt	Return	Contribution
WH GROUP (OTC)	0.39	50.45	0.20
NIPPON TELG. & TEL.	1.84	8.47	0.16
KT & G	0.64	23.20	0.15
ROYAL DUTCH SHELL B	0.95	15.00	0.14
SKYWORTH DIGITAL HDG.	0.43	32.06	0.14
TECK RESOURCES 'B'	0.17	72.58	0.13
BOLIDEN	0.54	22.76	0.12
BP	0.64	18.62	0.12
SAMSUNG ELECTRONICS	1.49	7.83	0.12
SANOFI	1.52	7.36	0.11

## Bottom Contributors

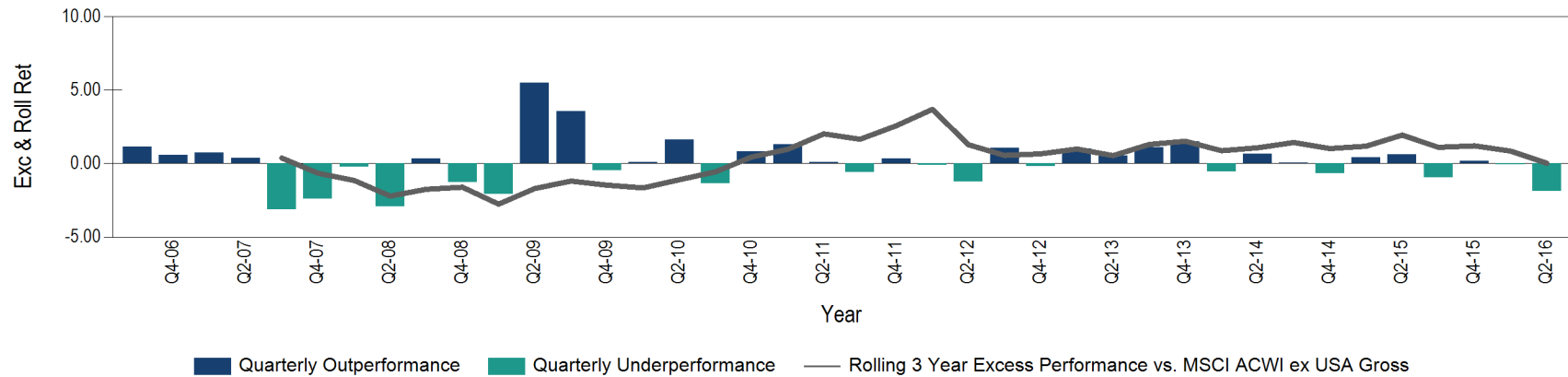
	Avg Wgt	Return	Contribution
MAGNA INTL.	1.37	-18.59	-0.25
DAIMLER	1.10	-17.88	-0.20
CREDIT SUISSE GROUP N	0.85	-21.61	-0.18
BERKELEY GROUP HDG.(THE)	0.57	-27.08	-0.16
SAINSBURY (J)	0.66	-19.30	-0.13
RHEINMETALL	0.50	-24.40	-0.12
EASYJET	0.35	-33.50	-0.12
BAYER	0.95	-12.23	-0.12
RENAULT	0.54	-21.32	-0.12
AMERICA MOVIL 'L'	0.51	-22.39	-0.11

Unclassified sector allocation includes cash allocations.

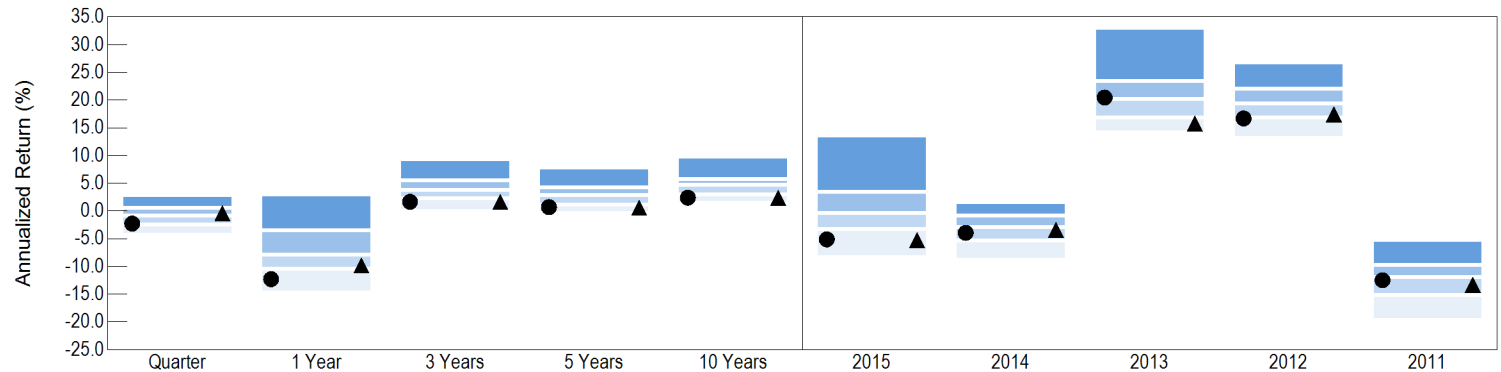
# LSV Asset Mgt Manager Performance Comparisons

Period Ending: June 30, 2016

Rolling Annualized Excess Performance

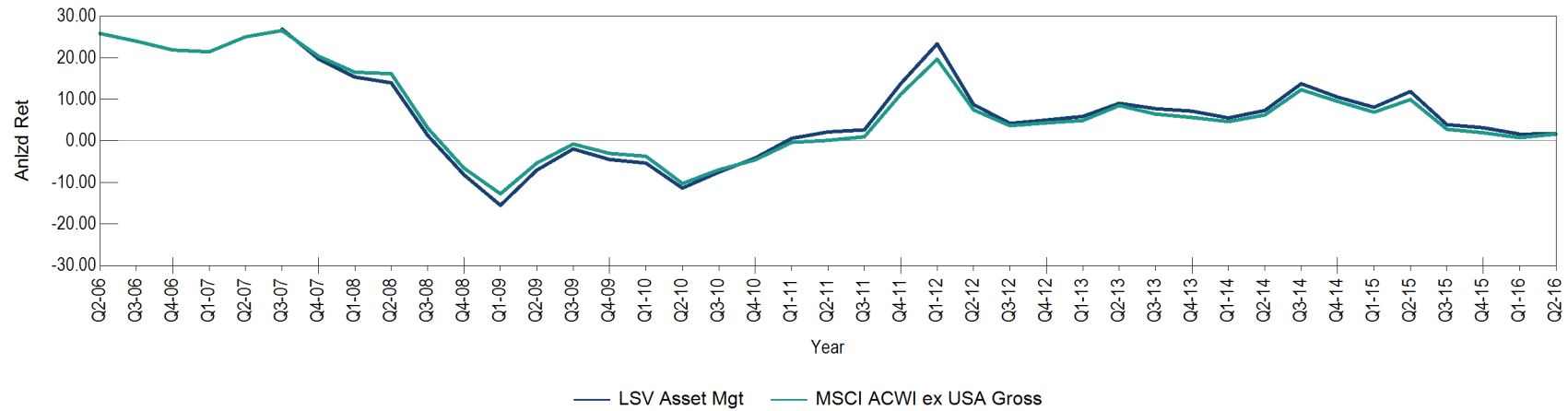


LSV Asset Mgt vs. eA ACWI ex-US Equity Unhedged Gross Universe

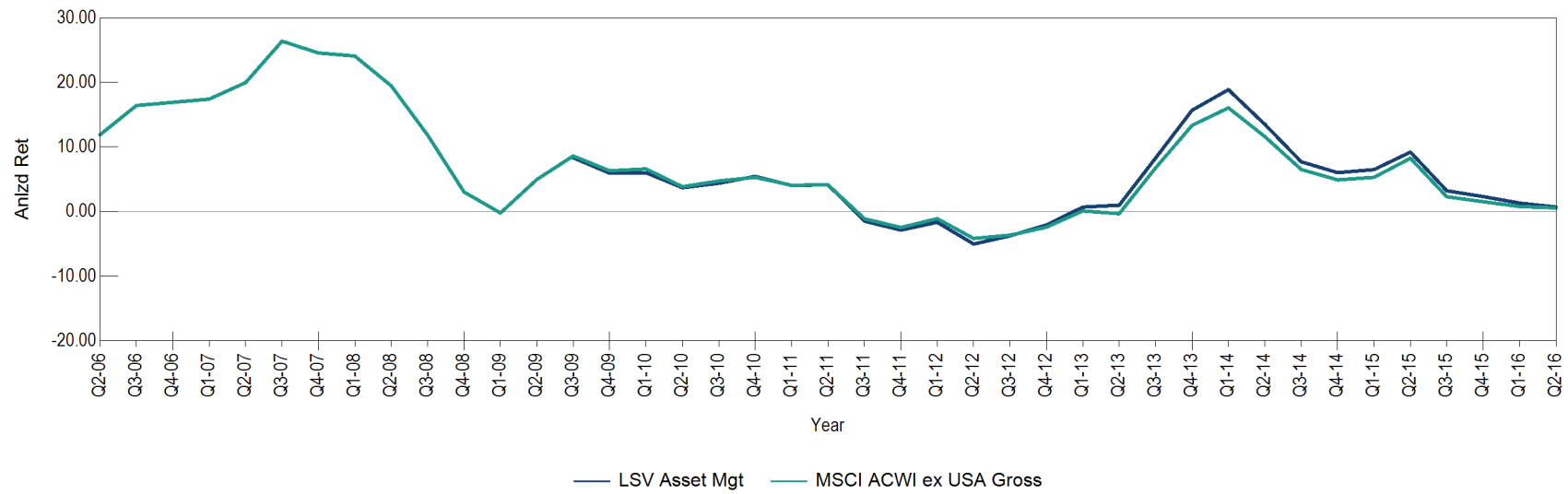


	Return (Rank)																	
5th Percentile	2.8		2.9		9.2		7.7		9.7		13.5		1.6		32.9		26.8	
25th Percentile	0.6		-3.4		5.6		4.3		5.8		3.5		-0.8		23.4		22.1	
Median	-0.8		-7.8		3.9		3.0		4.8		-0.3		-2.9		20.3		19.5	
75th Percentile	-2.3		-10.4		2.4		1.2		3.1		-3.3		-5.3		16.9		16.9	
95th Percentile	-4.2		-14.6		0.1		-0.3		1.5		-8.3		-8.7		14.3		13.2	
# of Portfolios	184		183		164		136		88		179		147		136		127	
● LSV Asset Mgt	-2.3	(75)	-12.3	(90)	1.6	(83)	0.7	(86)	2.4	(91)	-5.1	(86)	-4.0	(65)	20.4	(46)	16.7	(78)
▲ MSCI ACWI ex USA Gross	-0.4	(41)	-9.8	(73)	1.6	(83)	0.6	(89)	2.3	(91)	-5.3	(87)	-3.4	(58)	15.8	(87)	17.4	(74)
																	-12.5	(55)
																	-13.3	(62)

Rolling 3 Year Annualized Return (%)



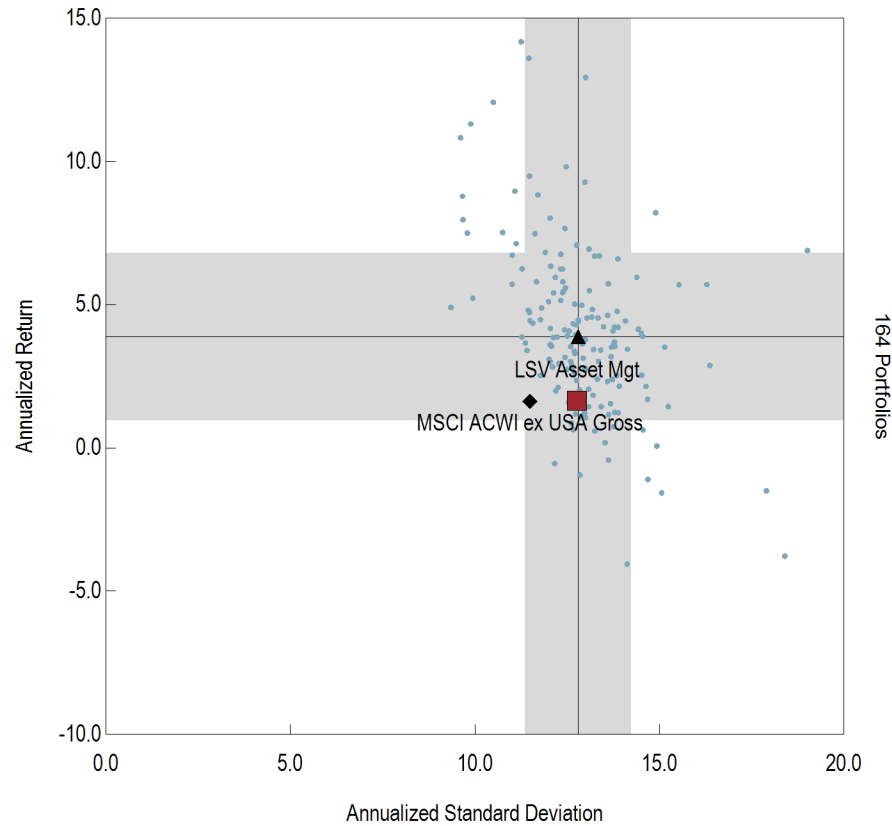
Rolling 5 Year Annualized Return (%)



LSV Asset Mgt  
Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

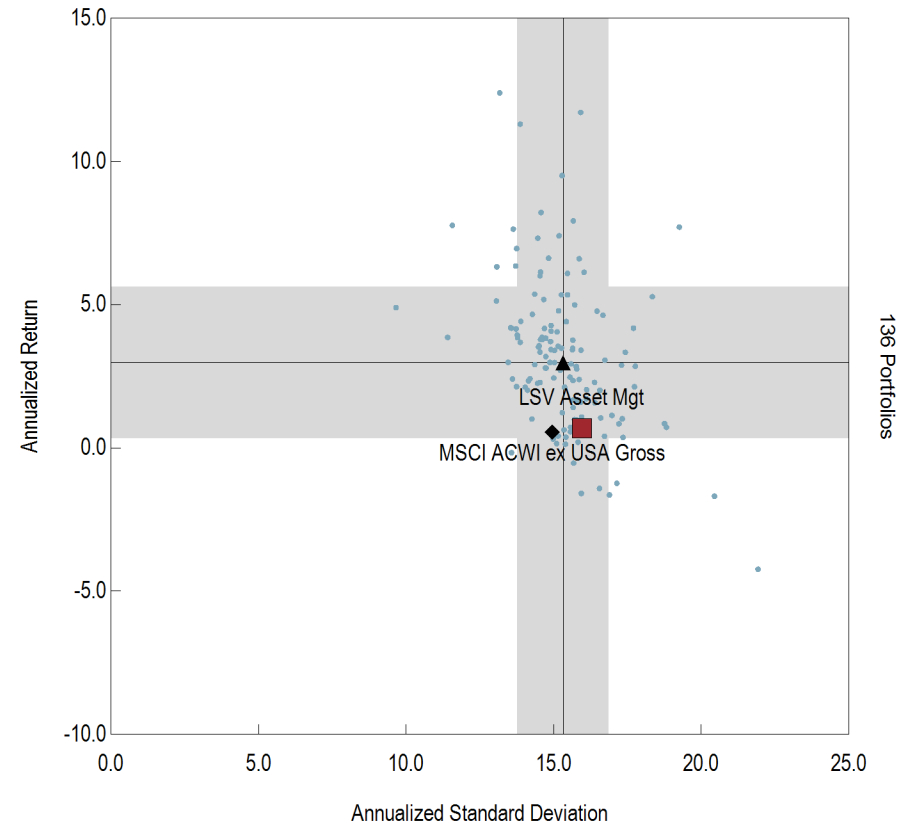
3 Years



3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
LSV Asset Mgt	1.6%	12.8%	0.1
MSCI ACWI ex USA Gross	1.6%	11.5%	0.1
eA ACWI ex-US Equity Unhedged Gross Median	3.9%	12.8%	0.3

5 Years



5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
LSV Asset Mgt	0.7%	16.0%	0.0
MSCI ACWI ex USA Gross	0.6%	15.0%	0.0
eA ACWI ex-US Equity Unhedged Gross Median	3.0%	15.3%	0.2

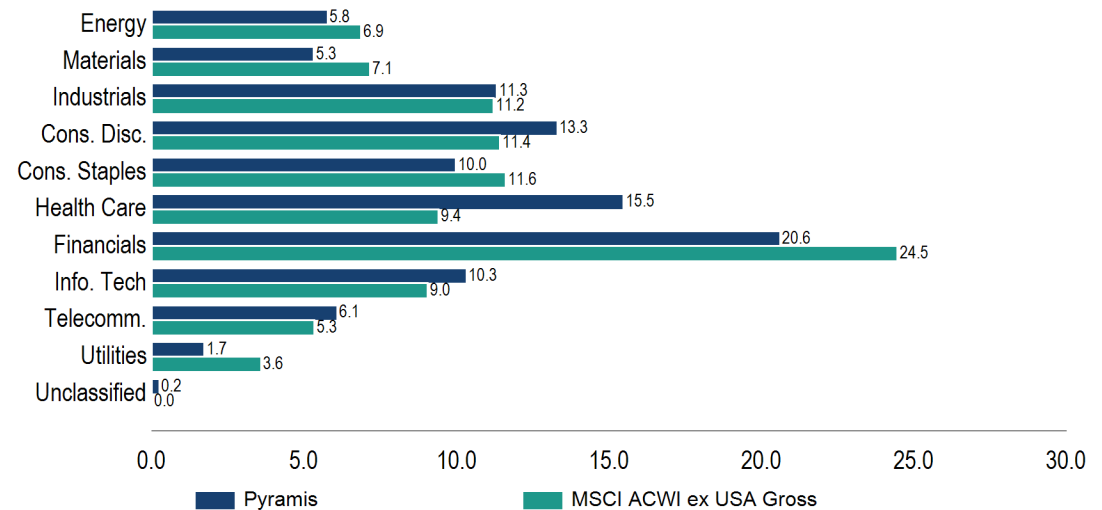
# Pyramis Manager Portfolio Overview

Period Ending: June 30, 2016

## Characteristics

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	304	1,859
Weighted Avg. Market Cap. (\$B)	48.14	48.12
Median Market Cap. (\$B)	11.63	6.51
Price To Earnings	20.60	18.75
Price To Book	3.88	2.43
Price To Sales	2.84	2.25
Return on Equity (%)	17.49	13.86
Yield (%)	2.92	3.22
Beta	0.92	1.00

## Sector Allocation (%) vs MSCI ACWI ex USA Gross



## Largest Holdings

	End Weight	Return
NESTLE 'R'	1.85	6.11
ROCHE HOLDING	1.52	6.35
BRITISH AMERICAN TOBACCO	1.26	10.13
SAP	1.25	-5.49
ROYAL DUTCH SHELL A	1.24	14.88
TAIWAN SEMICON.MNFG.	1.14	3.94
TOTAL	1.14	7.08
AIA GROUP	1.10	6.65
ASTELLAS PHARMA	1.03	17.13
BAYER	0.99	-12.23

## Top Contributors

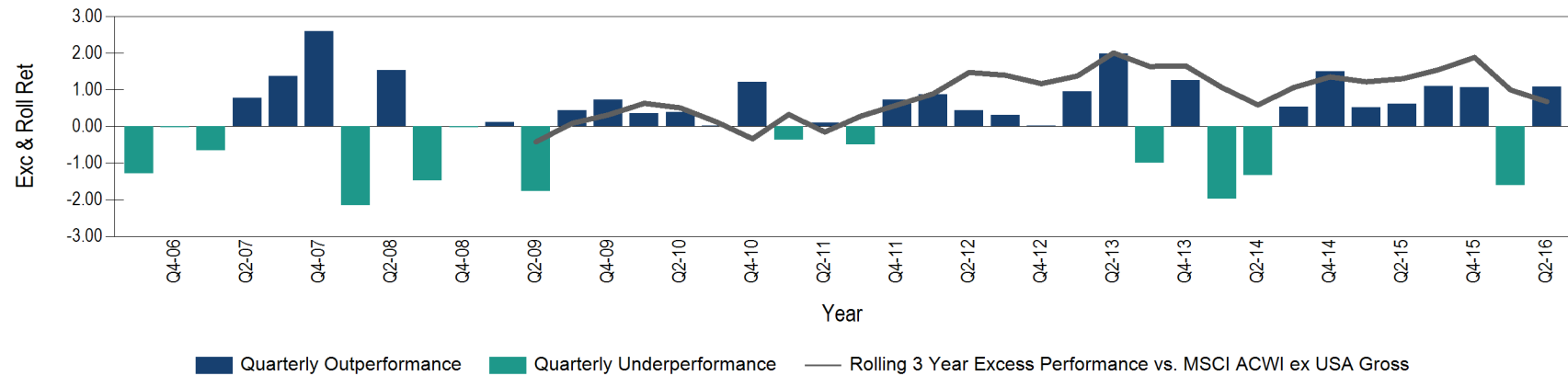
	Avg Wgt	Return	Contribution
BEST PACIFIC INTL.HDG.	0.53	37.60	0.20
ROYAL DUTCH SHELL A	1.19	14.88	0.18
ASTELLAS PHARMA	0.93	17.13	0.16
ROYAL DUTCH SHELL A(LON)	0.80	15.30	0.12
SURUGA BANK	0.38	27.67	0.10
NESTLE 'R'	1.71	6.11	0.10
KDDI	0.76	13.46	0.10
NOVARTIS 'R'	0.76	13.03	0.10
GENMAB	0.33	30.17	0.10
MISUMI GROUP	0.40	24.65	0.10

## Bottom Contributors

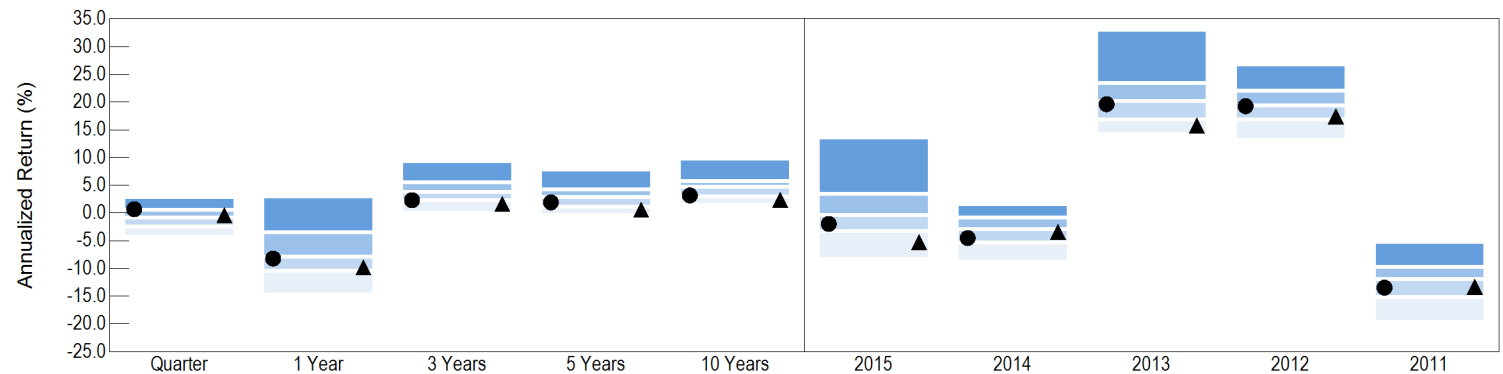
	Avg Wgt	Return	Contribution
LLOYDS BANKING GROUP	0.66	-23.80	-0.16
INTESA SANPAOLO	0.57	-27.44	-0.16
ESSENTIA PLC	0.34	-42.34	-0.14
BT GROUP	1.01	-13.43	-0.14
BAYER	1.09	-12.23	-0.13
UBS GROUP	0.83	-15.58	-0.13
LONDON STOCK EX.GROUP	0.69	-15.72	-0.11
RENAULT	0.48	-21.32	-0.10
ILIAD	0.47	-21.15	-0.10
BARCLAYS	0.63	-14.06	-0.09

Unclassified sector allocation includes cash allocations.

Rolling Annualized Excess Performance

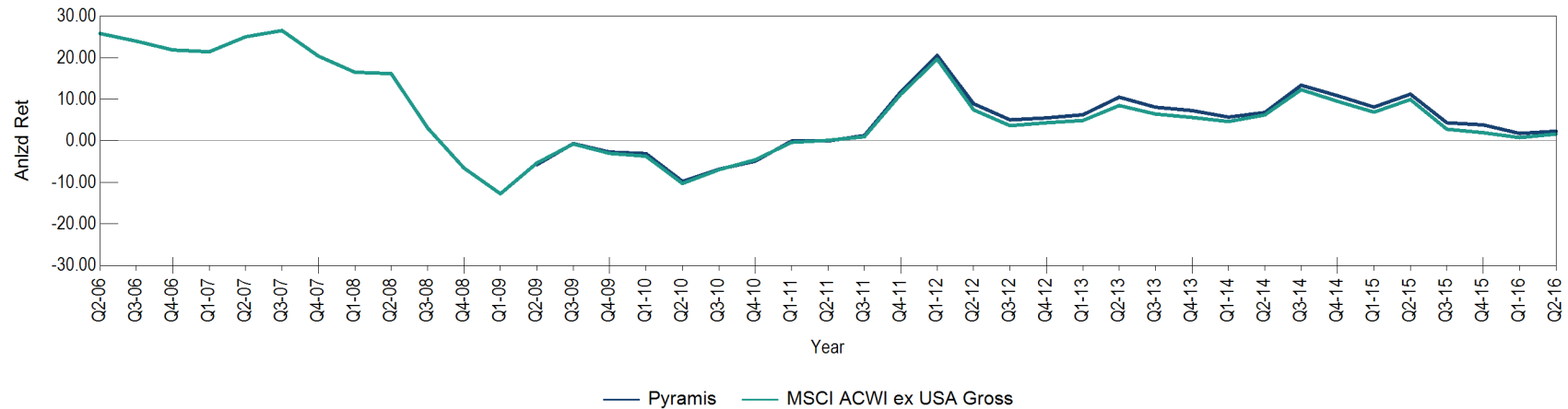


Pyramis vs. eA ACWI ex-US Equity Unhedged Gross Universe

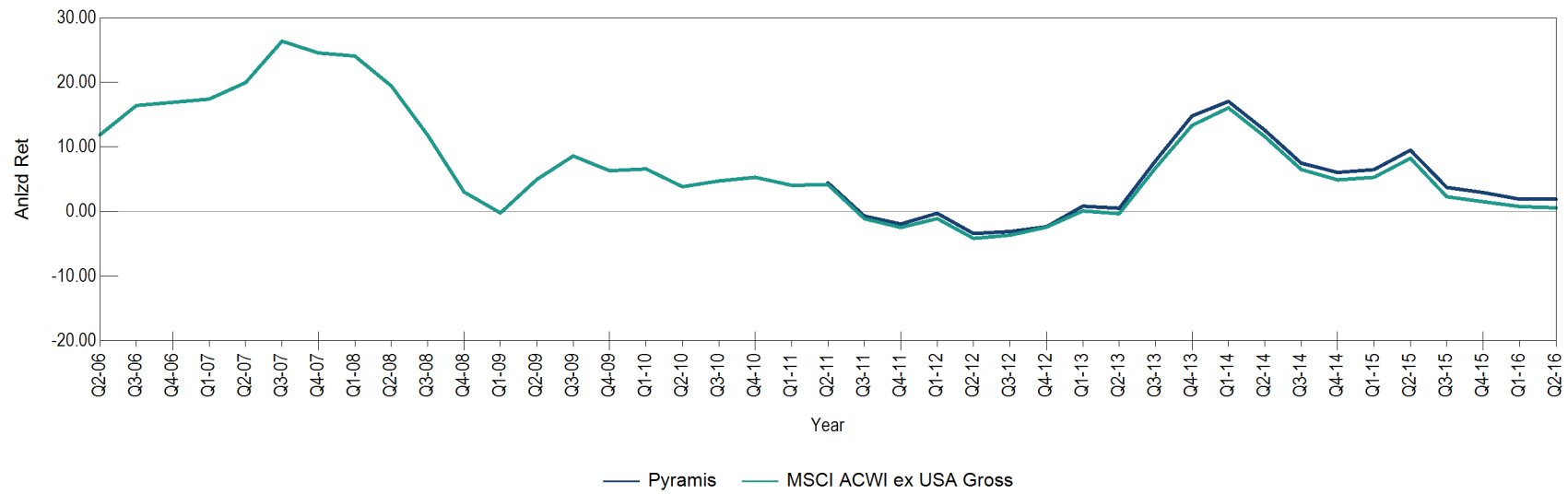


		Return (Rank)															
5th Percentile		2.8	2.9	9.2	7.7	9.7	13.5	1.6	32.9	26.8	-5.3						
25th Percentile		0.6	-3.4	5.6	4.3	5.8	3.5	-0.8	23.4	22.1	-9.6						
Median		-0.8	-7.8	3.9	3.0	4.8	-0.3	-2.9	20.3	19.5	-11.9						
75th Percentile		-2.3	-10.4	2.4	1.2	3.1	-3.3	-5.3	16.9	16.9	-15.1						
95th Percentile		-4.2	-14.6	0.1	-0.3	1.5	-8.3	-8.7	14.3	13.2	-19.6						
# of Portfolios		184	183	164	136	88	179	147	136	127	125						
●	Pyramis	0.7 (24)	-8.2 (55)	2.3 (77)	1.9 (70)	3.2 (75)	-2.0 (66)	-4.5 (70)	19.6 (55)	19.3 (55)	-13.5 (63)						
▲	MSCI ACWI ex USA Gross	-0.4 (41)	-9.8 (73)	1.6 (83)	0.6 (89)	2.3 (91)	-5.3 (87)	-3.4 (58)	15.8 (87)	17.4 (74)	-13.3 (62)						

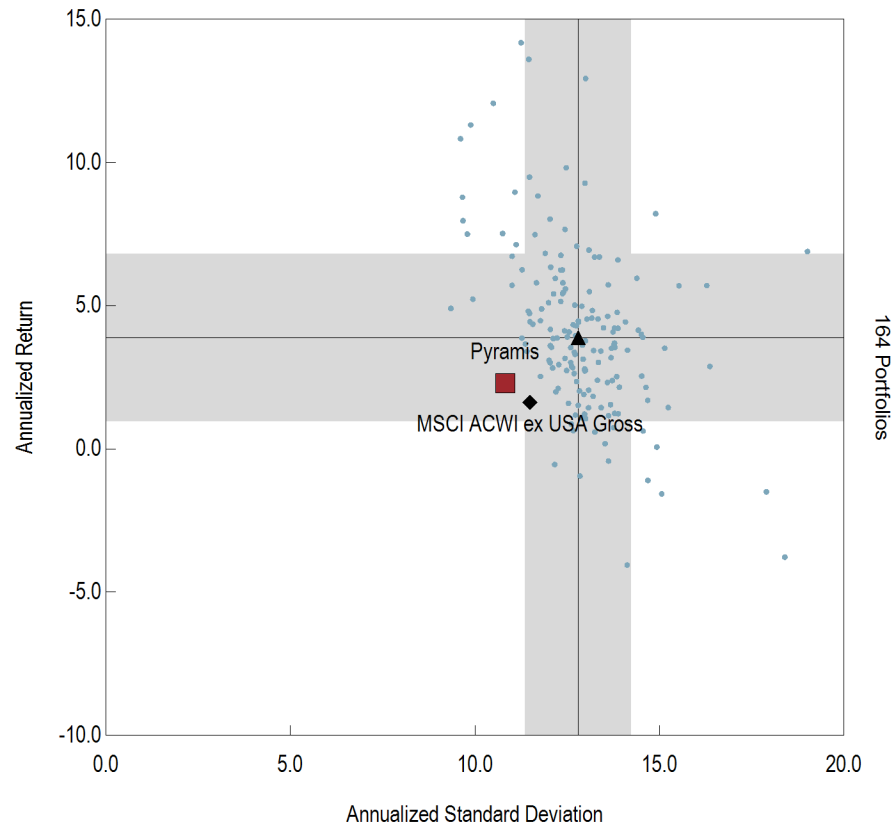
Rolling 3 Year Annualized Return (%)



Rolling 5 Year Annualized Return (%)



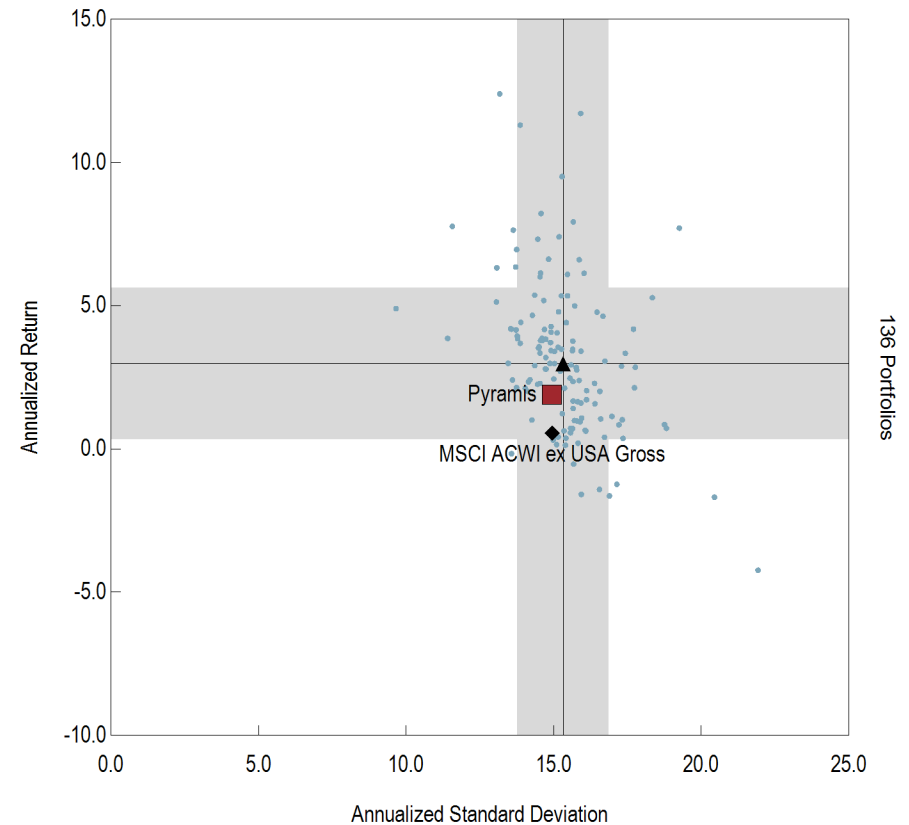
3 Years



3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Pyramis	2.3%	10.8%	0.2
MSCI ACWI ex USA Gross	1.6%	11.5%	0.1
eA ACWI ex-US Equity Unhedged Gross Median	3.9%	12.8%	0.3

5 Years



5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Pyramis	1.9%	14.9%	0.1
MSCI ACWI ex USA Gross	0.6%	15.0%	0.0
eA ACWI ex-US Equity Unhedged Gross Median	3.0%	15.3%	0.2



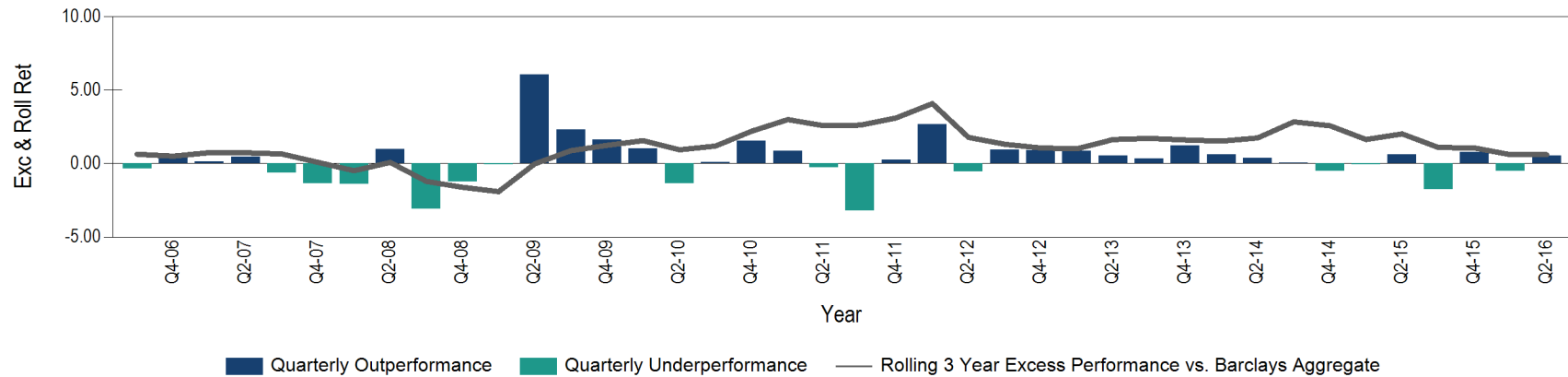
## Domestic Fixed Income Managers

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# Dodge & Cox-Fixed Manager Performance Comparisons (Gross of Fees)

Period Ending: June 30, 2016

Rolling Annualized Excess Performance



Dodge & Cox-Fixed vs. eA US Core Fixed Inc Gross Universe

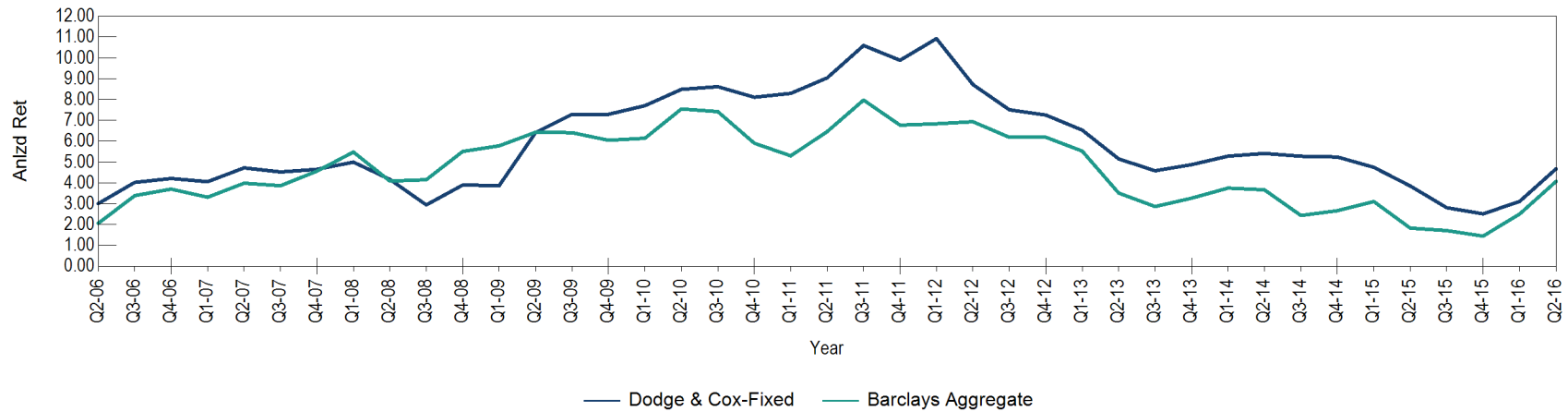


	Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)	
5th Percentile	3.2	(15)	7.3	(88)	5.4	(25)	5.6	(23)	6.6	(16)	1.9	(89)	7.7	(26)	0.5	(3)	9.4	(9)
25th Percentile	2.6	(64)	6.5	(56)	4.7	(77)	4.6	(85)	6.0	(87)	1.3	(75)	6.5	(52)	-0.8	(82)	7.0	(90)
Median	2.3		6.1		4.3		4.3		5.6		0.9		6.0		-1.4		5.9	
75th Percentile	2.1		5.5		4.1		4.0		5.4		0.5		5.4		-1.9		4.9	
95th Percentile	1.5		4.1		3.4		3.4		4.5		-0.1		2.9		-2.7		3.7	
# of Portfolios	198		198		195		193		172		196		213		209		228	
● Dodge & Cox-Fixed	2.8	(15)	5.0	(88)	4.7	(25)	4.6	(23)	6.2	(16)	0.2	(89)	6.5	(26)	0.9	(3)	8.4	(9)
▲ Barclays Aggregate	2.2	(64)	6.0	(56)	4.1	(77)	3.8	(85)	5.1	(87)	0.6	(75)	6.0	(52)	-2.0	(82)	4.2	(90)

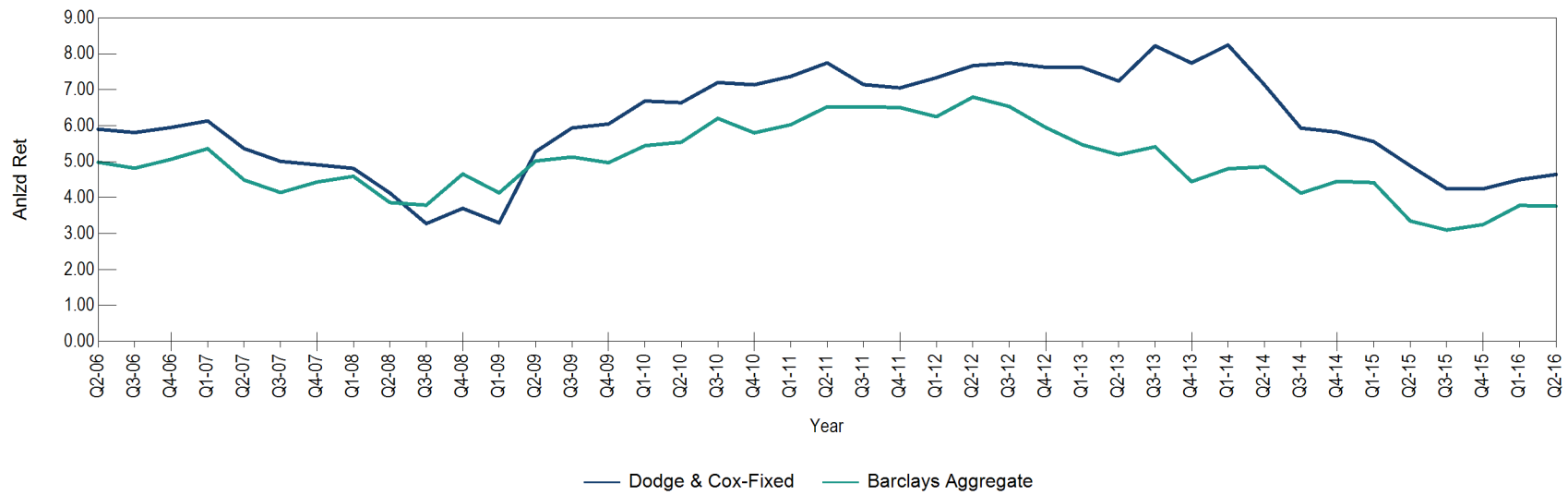
# Dodge & Cox-Fixed Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

Rolling 3 Year Annualized Return (%)



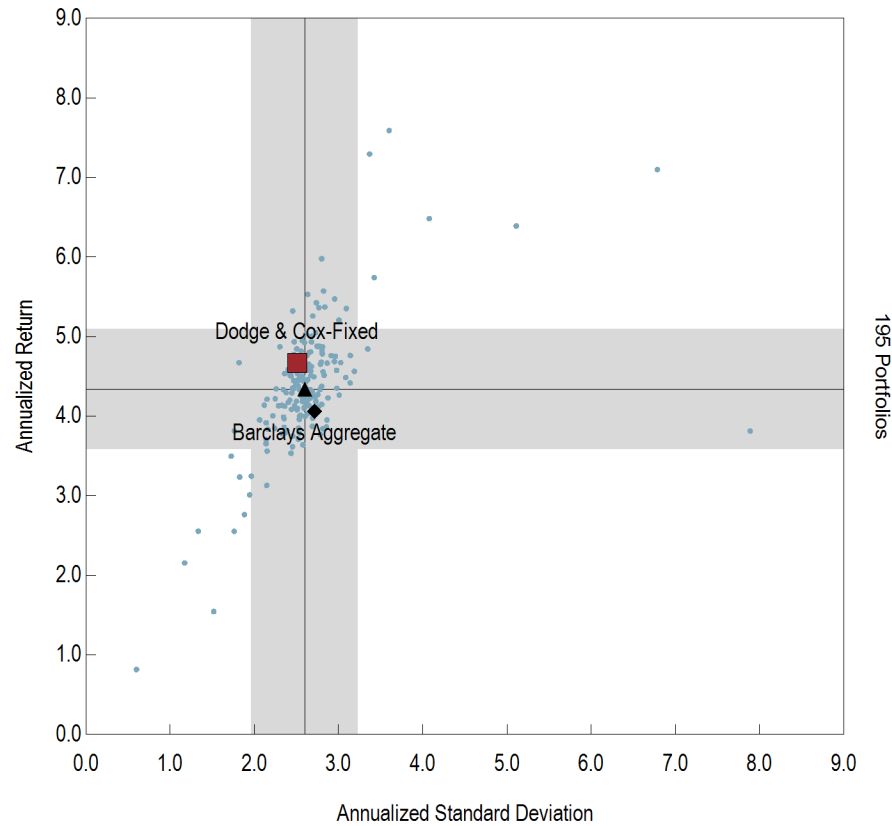
Rolling 5 Year Annualized Return (%)



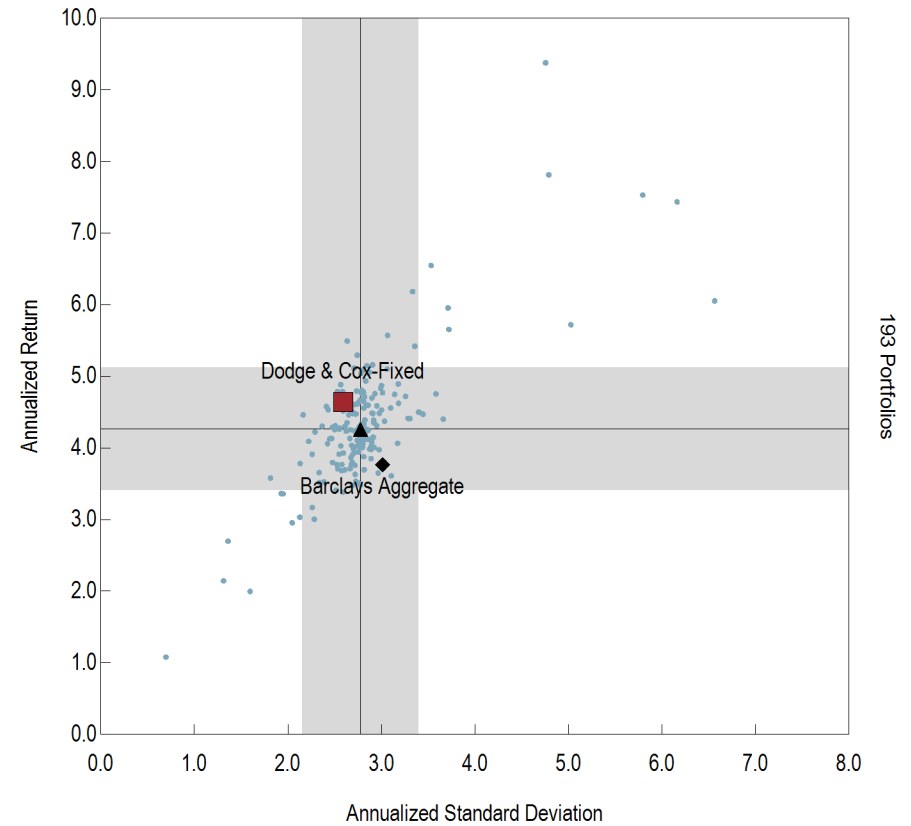
# Dodge & Cox-Fixed Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: June 30, 2016

3 Years



5 Years



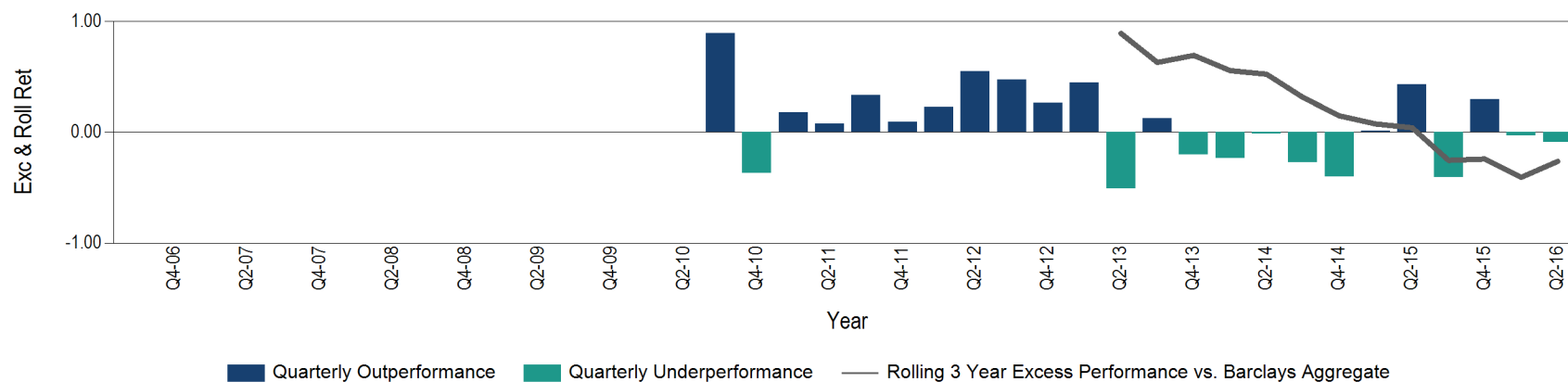
3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Dodge & Cox-Fixed	4.7%	2.5%	1.8
Barclays Aggregate	4.1%	2.7%	1.5
eA US Core Fixed Inc Gross Median	4.3%	2.6%	1.7

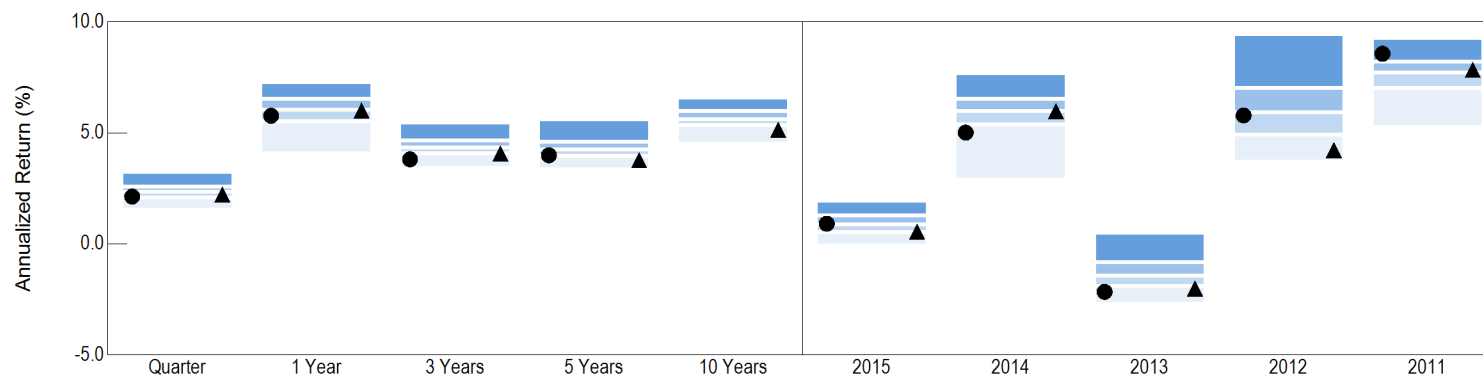
5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Dodge & Cox-Fixed	4.6%	2.6%	1.8
Barclays Aggregate	3.8%	3.0%	1.2
eA US Core Fixed Inc Gross Median	4.3%	2.8%	1.5

Rolling Annualized Excess Performance

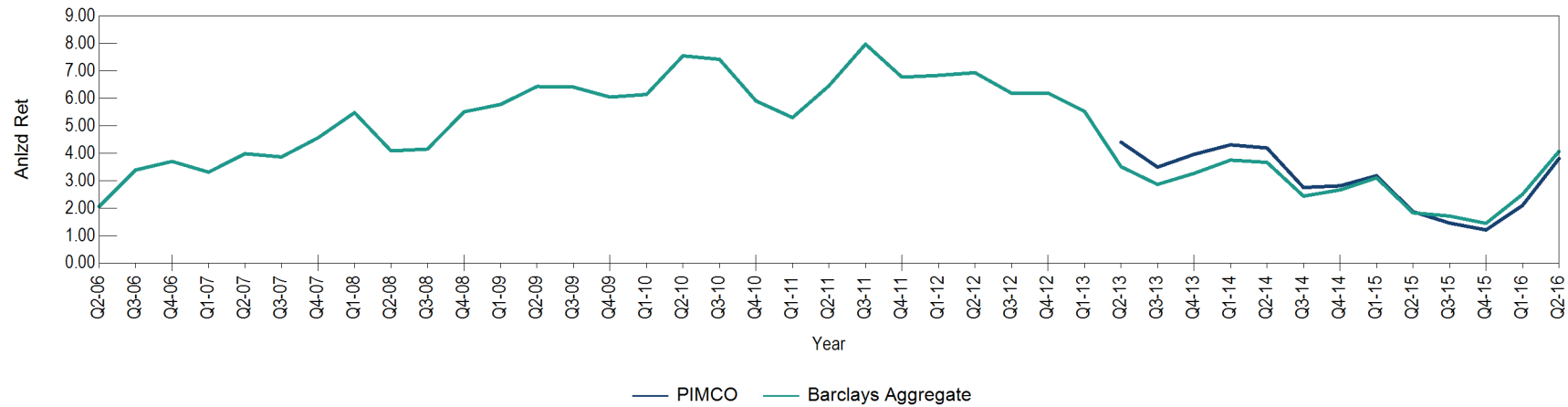


PIMCO vs. eA US Core Fixed Inc Gross Universe

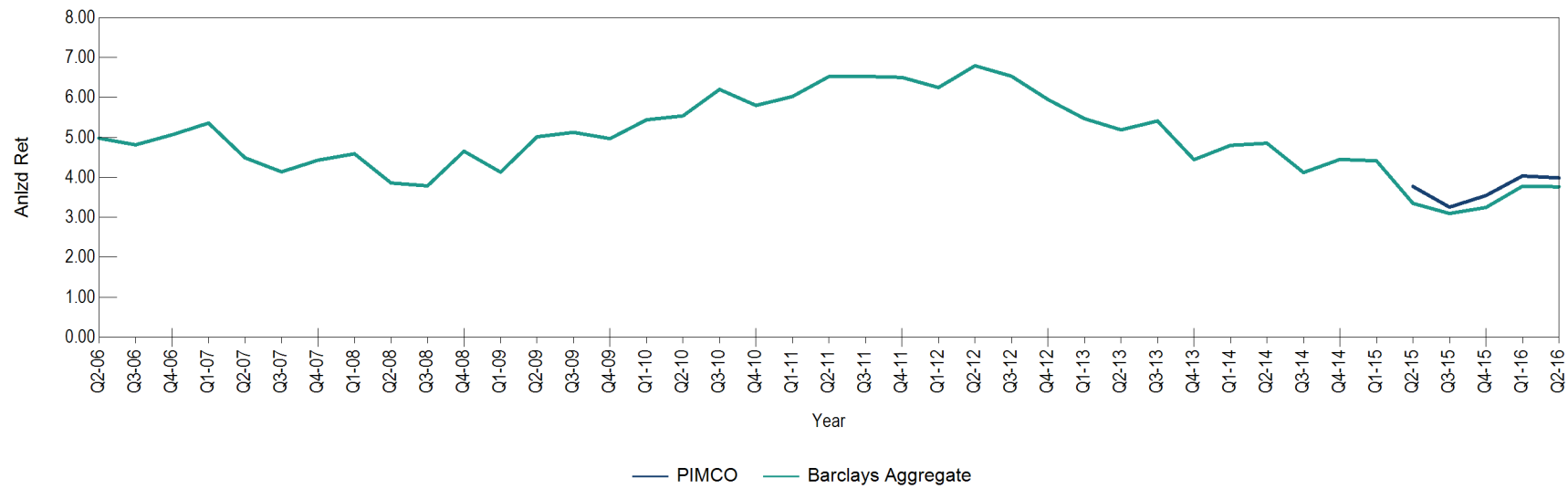


	Return (Rank)		1 Year		3 Years		5 Years		10 Years		2015		2014		2013		2012		2011	
5th Percentile	3.2		7.3		5.4		5.6		6.6		1.9		7.7		0.5		9.4		9.2	
25th Percentile	2.6		6.5		4.7		4.6		6.0		1.3		6.5		-0.8		7.0		8.2	
Median	2.3		6.1		4.3		4.3		5.6		0.9		6.0		-1.4		5.9		7.7	
75th Percentile	2.1		5.5		4.1		4.0		5.4		0.5		5.4		-1.9		4.9		7.0	
95th Percentile	1.5		4.1		3.4		3.4		4.5		-0.1		2.9		-2.7		3.7		5.3	
# of Portfolios	198		198		195		193		172		196		213		209		228		213	
● PIMCO	2.1	(74)	5.8	(71)	3.8	(89)	4.0	(74)	--	(--)	0.9	(49)	5.0	(83)	-2.2	(89)	5.8	(54)	8.6	(19)
▲ Barclays Aggregate	2.2	(64)	6.0	(56)	4.1	(77)	3.8	(85)	5.1	(87)	0.6	(75)	6.0	(52)	-2.0	(82)	4.2	(90)	7.8	(46)

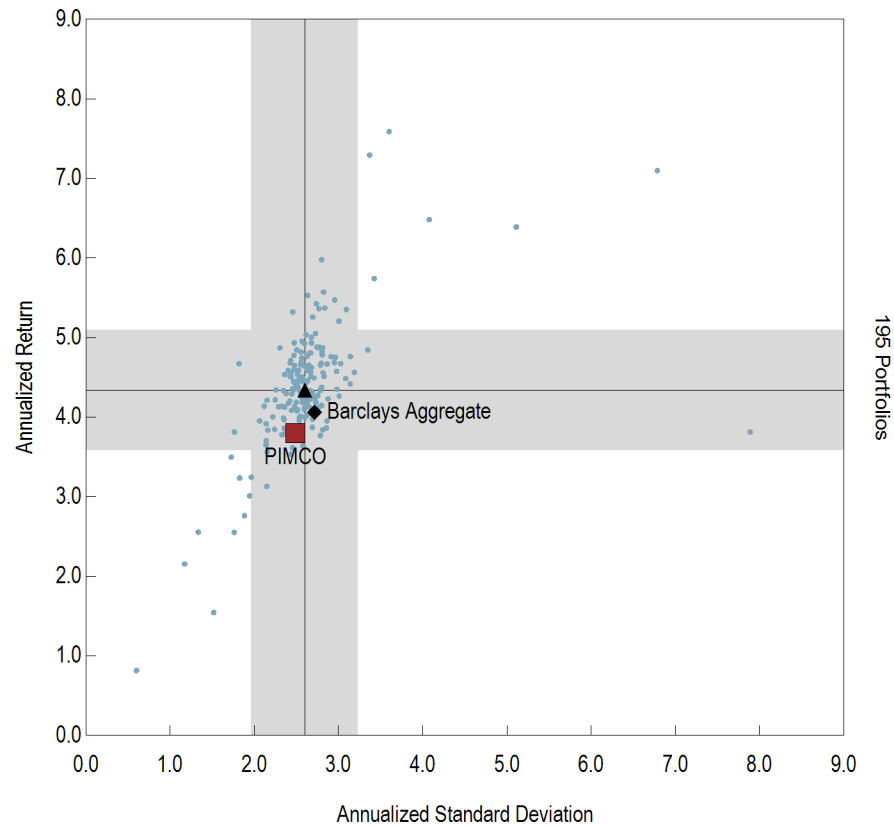
Rolling 3 Year Annualized Return (%)



Rolling 5 Year Annualized Return (%)



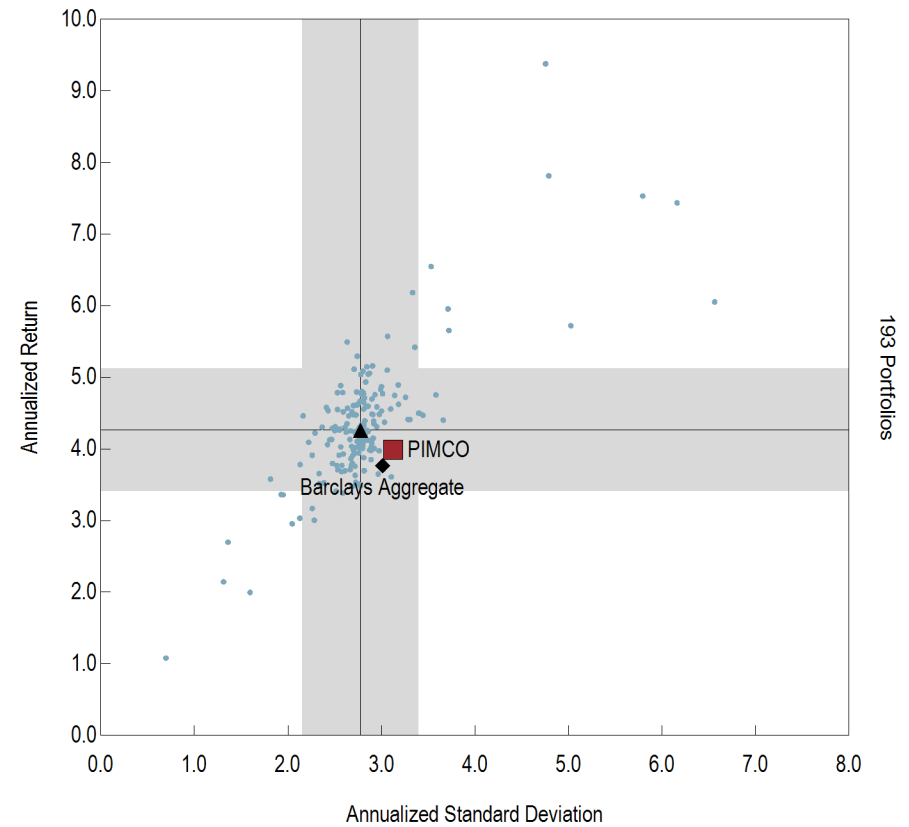
3 Years



3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
PIMCO	3.8%	2.5%	1.5
Barclays Aggregate	4.1%	2.7%	1.5
eA US Core Fixed Inc Gross Median	4.3%	2.6%	1.7

5 Years



5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
PIMCO	4.0%	3.1%	1.3
Barclays Aggregate	3.8%	3.0%	1.2
eA US Core Fixed Inc Gross Median	4.3%	2.8%	1.5

**Performance Return Calculations**

Returns calculated in the performance summary tables are time-weighted rates of return (TWRR). TWRR are calculated from changes in monthly market values, adjusted for weighted cash flows between months. Our performance methodology assumes that cash flows occur at the end of day for modified dietz calculations. Returns are linked geometrically and annualized for periods longer than one year.

**Data Source**

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

**Illiquid Alternatives**

Closed end funds including but not limited to Real Estate, Hedge Funds, Private Equity, and Private Credit may lag performance and market value data due to delayed reporting. Verus will show market values for closed end funds as of the most recent reported performance adjusted for capital calls and distributions. Closed end fund managers report performance using an internal rate of return (IRR), which differs from the TWRR calculation done by Verus. It is inappropriate to compare IRR and TWRR to each other. IRR figures reported in the illiquid alternative pages are provided by the respective managers, and Verus has not made any attempts to verify these returns. Until a partnership is liquidated (typically over 10-12 years), the IRR is only an interim estimated return. The actual IRR performance of any LP is not known until the final liquidation.

**Manager Line Up**

<u>Manager</u>	<u>Fund Incepted</u>	<u>Data Source</u>	<u>Manager</u>	<u>Fund Incepted</u>	<u>Data Source</u>
Mellon S&P 500	04/30/2003	Mellon	Prime Property Fund	09/30/2015	Prime Property
BlackRock Russell 1000 Growth	06/30/2010	BlackRock	American Strategic Value Realty	12/31/2014	American Realty
Jackson Square	08/31/2006	Northern Trust	BlackRock US Real Estate	09/30/2012	BlackRock
BlackRock Russell 1000 Value	07/31/2009	BlackRock	Greenfield Gap	07/31/2014	Greenfield
Dodge & Cox - Equity	12/31/1994	Northern Trust	Invesco	02/29/2008	Mellon
Legato Capital	12/31/2008	Northern Trust	Medley Capital	05/31/2013	Medley Capital
Capital Prospects	12/31/2008	Northern Trust	Raven Capital	05/31/2013	Raven Capital
LSV Asset Mgt	08/31/2004	Northern Trust	Raven Opportunity III	07/31/2015	Raven Capital
Pyramis	04/30/2006	Northern Trust	White Oak Pinnacle	08/31/2013	White Oak
Dodge & Cox - Fixed	12/31/1994	Northern Trust	MS Infrastructure	05/31/2015	Morgan Stanley
PIMCO	05/31/2010	Northern Trust			

**Policy & Custom Index Composition**

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.

**Other Disclosures**

Fiscal Year End: 6/30

All data prior to 6/30/2015 provided by the previous consultant.



# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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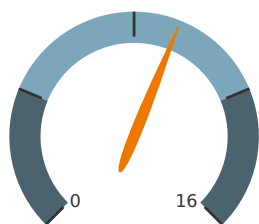
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Verus receives universe data from InvestorForce, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather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

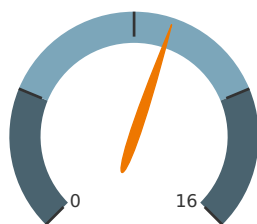
## STCERA Risk Dashboard

June 30, 2016

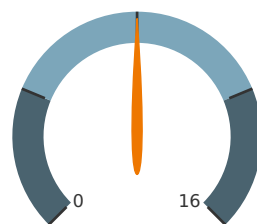
## 1 Portfolio risk



Portfolio: 9.3%



Policy: 9.1%



Typical Peer: 8.0%

## 2 Portfolio equity beta



Portfolio: 0.62



Policy: 0.61



Typical Peer: 0.53

## 3 Portfolio interest rate risk - Duration



Portfolio: 1.9

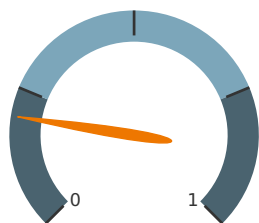


Policy: 1.9



Typical Peer: 1.8

## 4 Portfolio credit risk - Spread duration



Portfolio: 0.2



Policy: 0.3

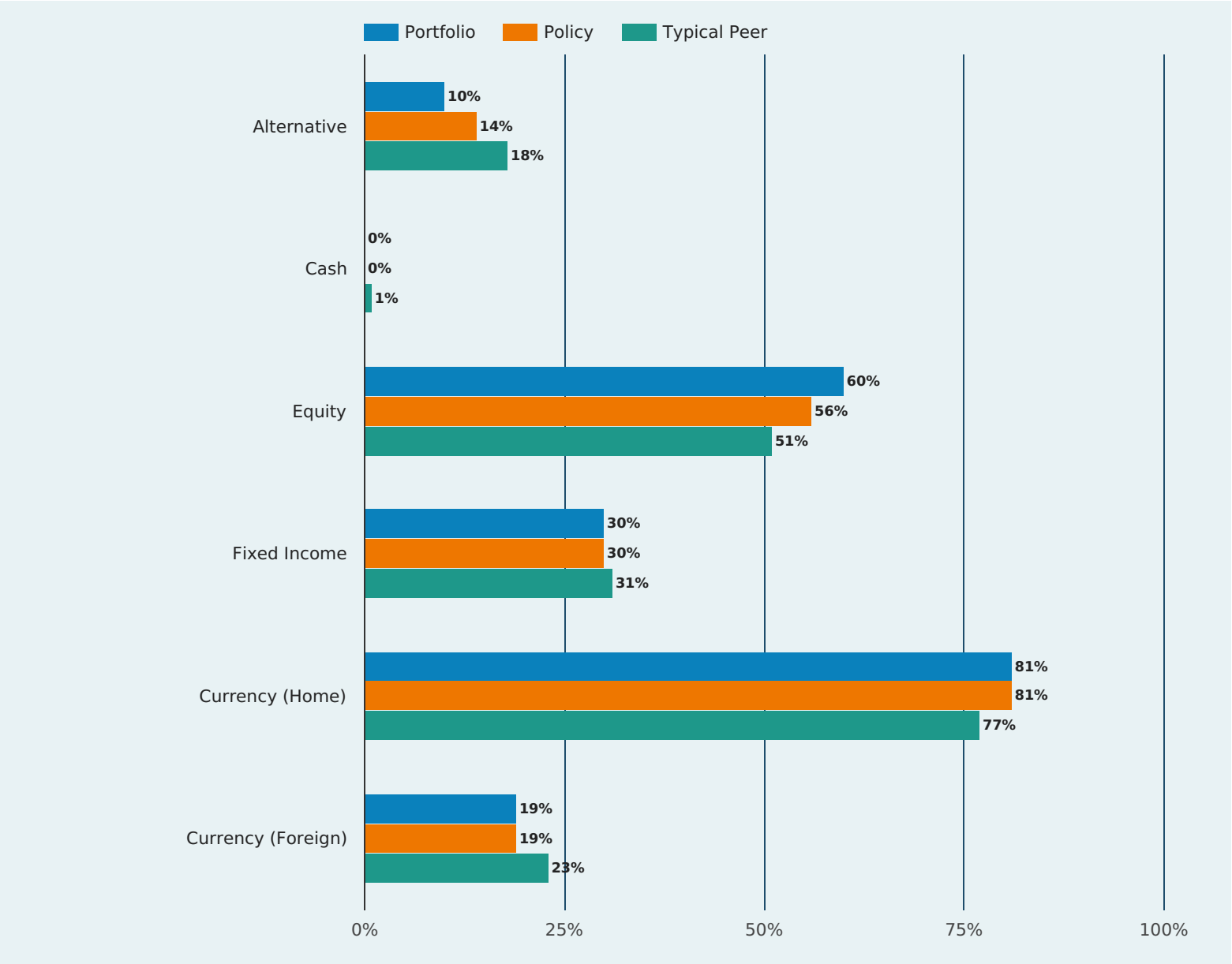


Typical Peer: 0.1

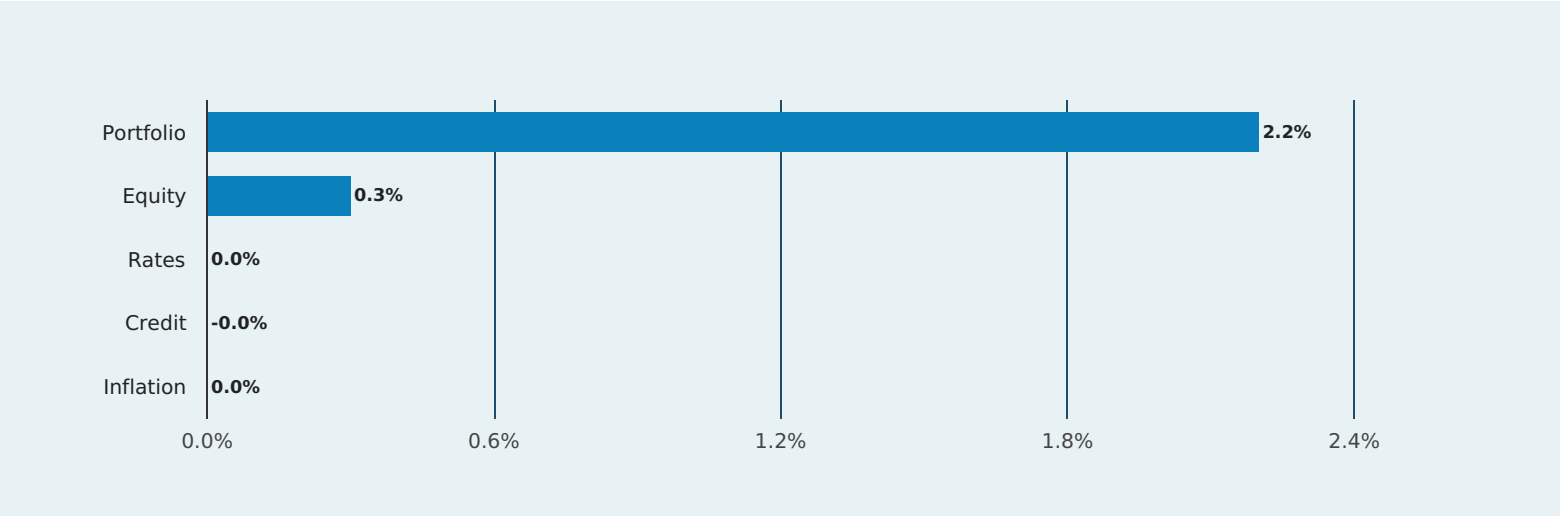
5 Exposure allocation by asset class

		Portfolio	Policy	Typical Peer
Alternative	Real Assets	0.0%		2.1%
	Hedge Fund	0.0%		8.1%
	Infrastructure	0.4%	3.0%	
	Real Estate	3.6%	3.5%	7.4%
	Private Credit	5.6%	7.5%	
Alternative Total		9.6%	14.0%	17.6%
Cash	Cash	0.0%		1.1%
Cash Total		0.0%		1.1%
Equity	EM Equity	0.0%		3.4%
	Private Equity	0.0%		6.0%
	US Small Cap Growth	4.5%	3.7%	
	US Small Cap Value	4.7%	4.0%	
	US Large Cap Core	4.9%	4.8%	26.1%
	US Large Cap Growth	11.7%	11.3%	
	US Large Cap Value	15.0%	14.4%	
	Non-US Equity	19.2%	18.0%	15.1%
Equity Total		60.1%	56.2%	50.6%
Fixed Income	EM Bonds	0.0%		2.4%
	Global Bonds	0.0%		4.3%
	Non-US Bonds	0.0%		1.5%
	US Bonds	30.4%	29.8%	22.5%
Fixed Income Total		30.4%	29.8%	30.7%
Total Portfolio		100%	100%	100%

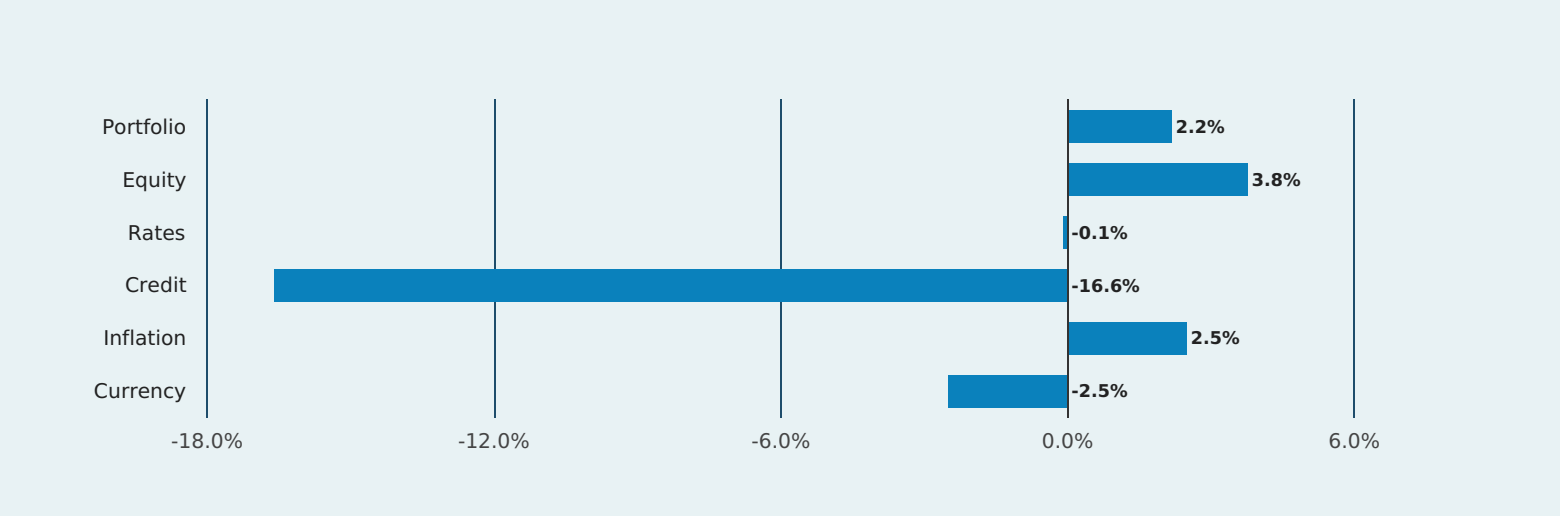
6 Exposure allocation



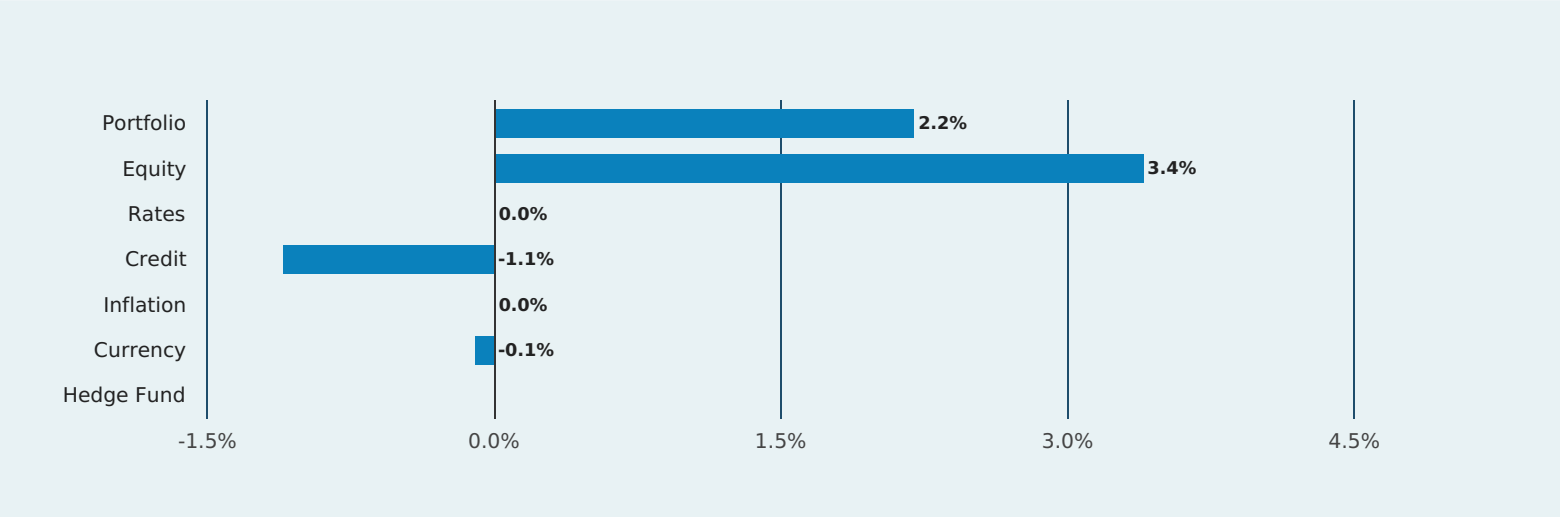
7 Relative risk vs target by bucket



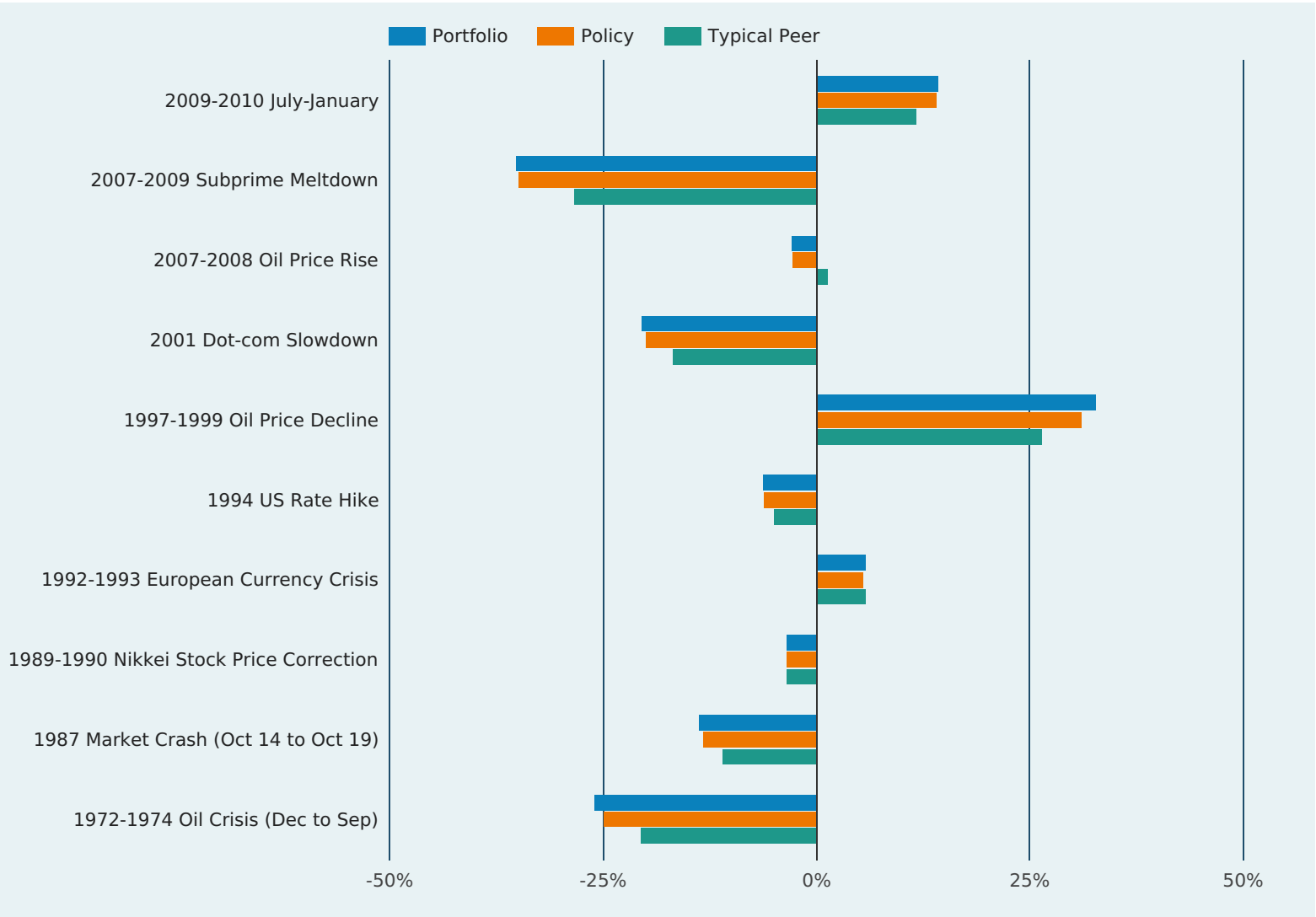
8 Relative risk vs target by risk factor



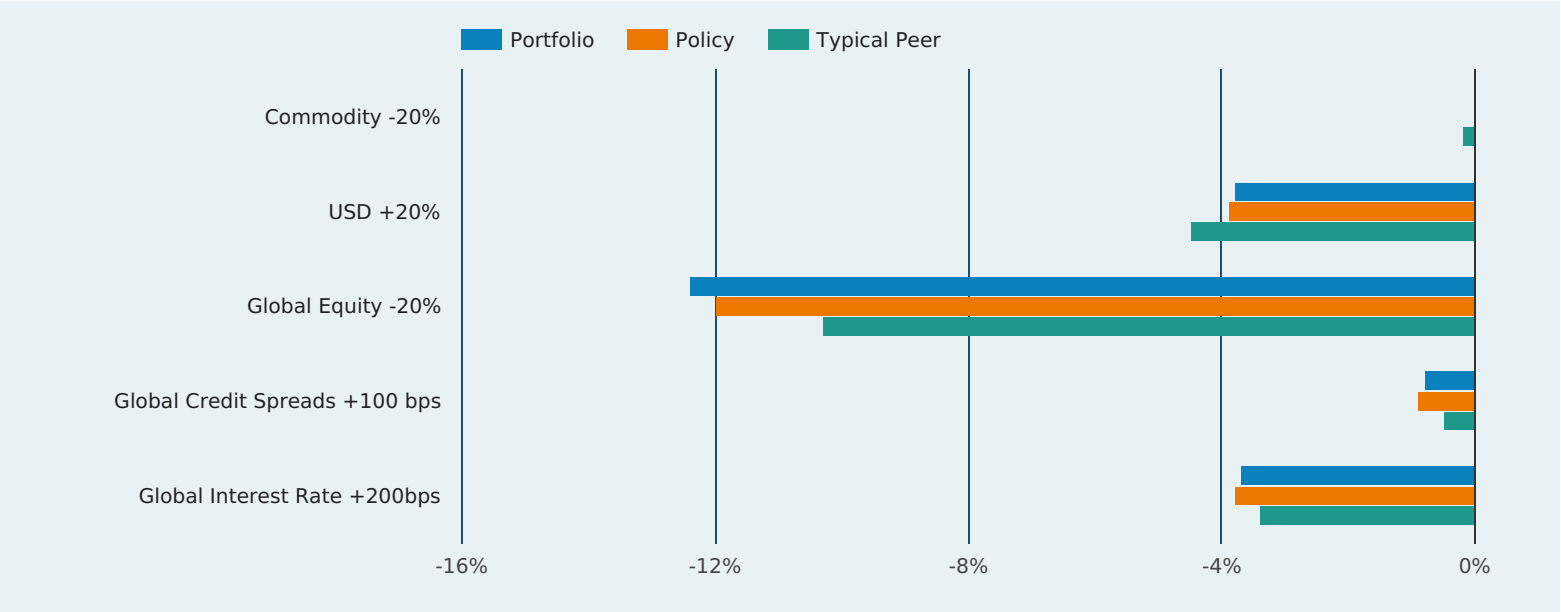
9 Risk factor weight relative to target



10 Tail risk - Scenario analysis

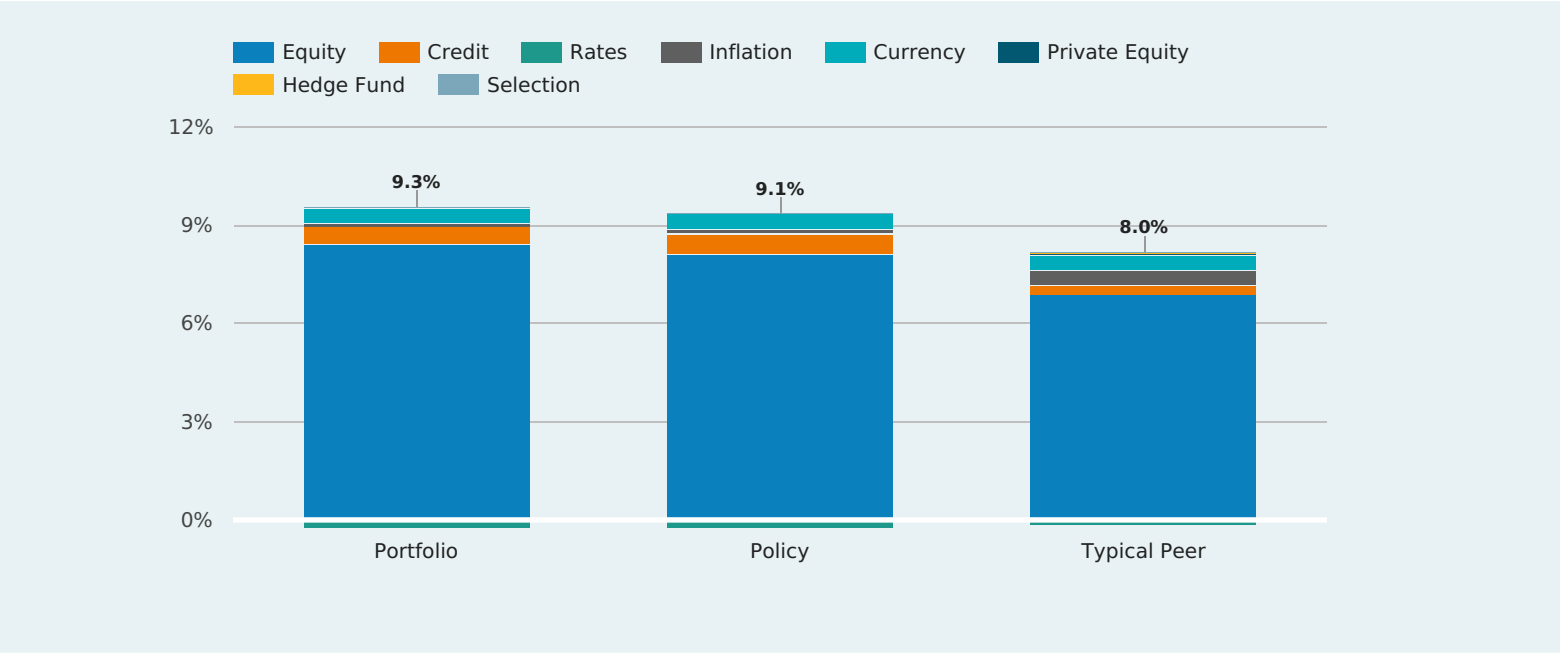


11 Tail risk - Stress tests

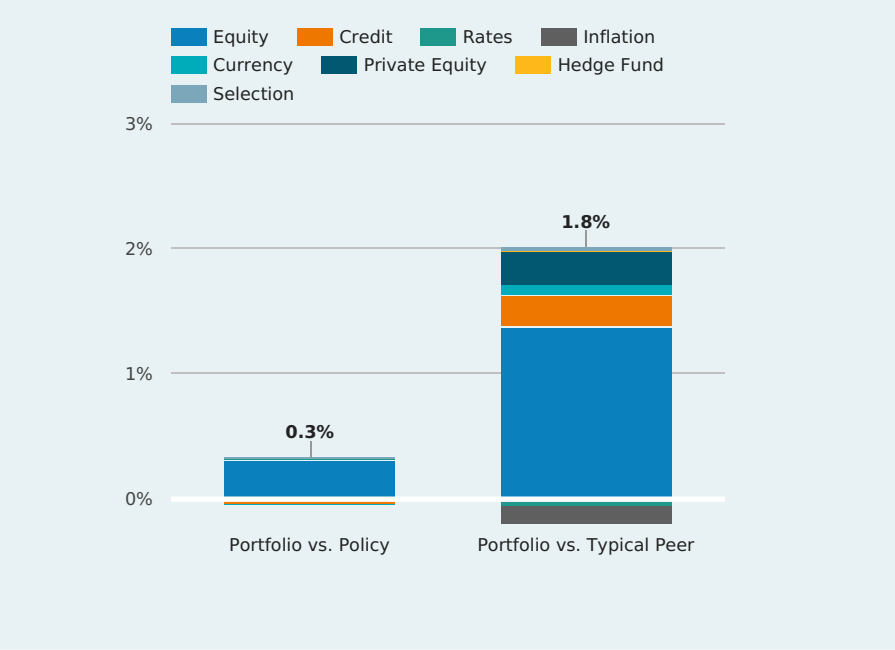




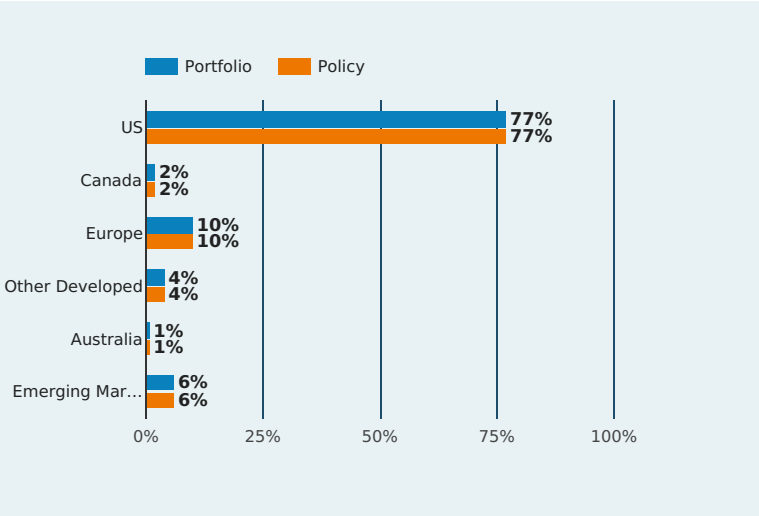
12 Risk contribution by risk factor



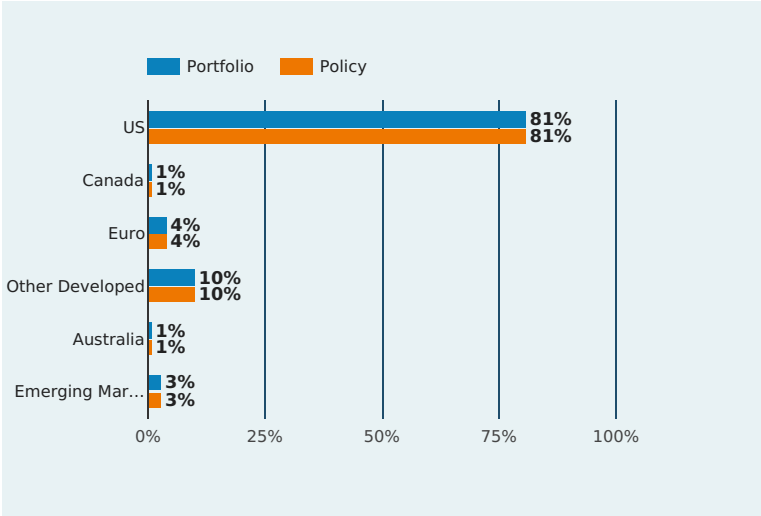
13 Active risk contribution by risk factor



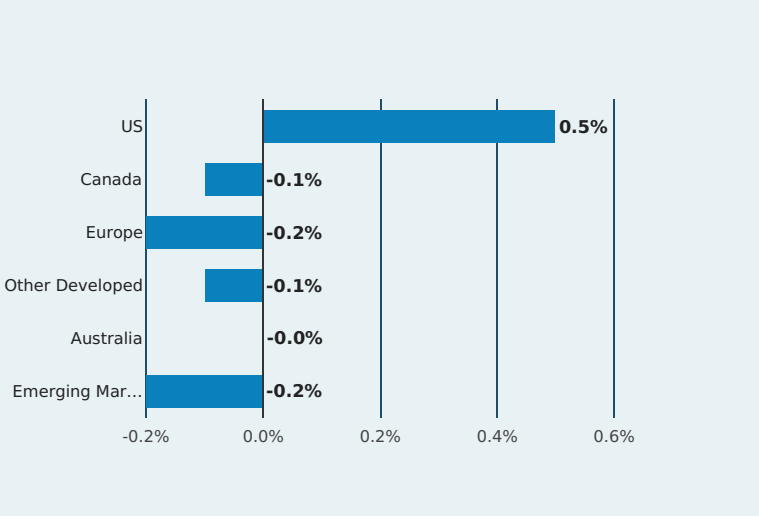
14 Geographic exposure



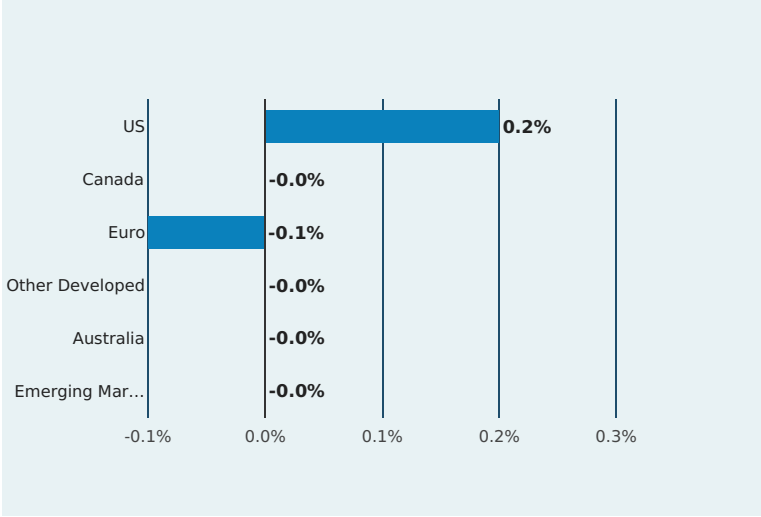
15 Currency exposure



16 Net geographic exposure



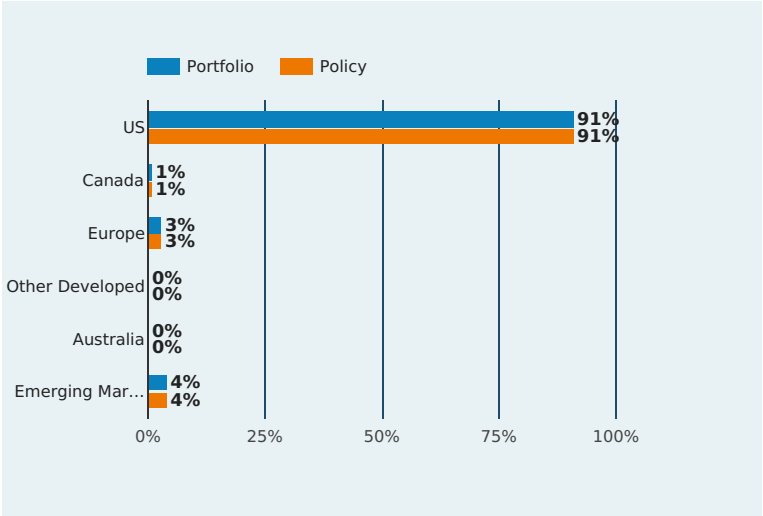
17 Net currency exposure



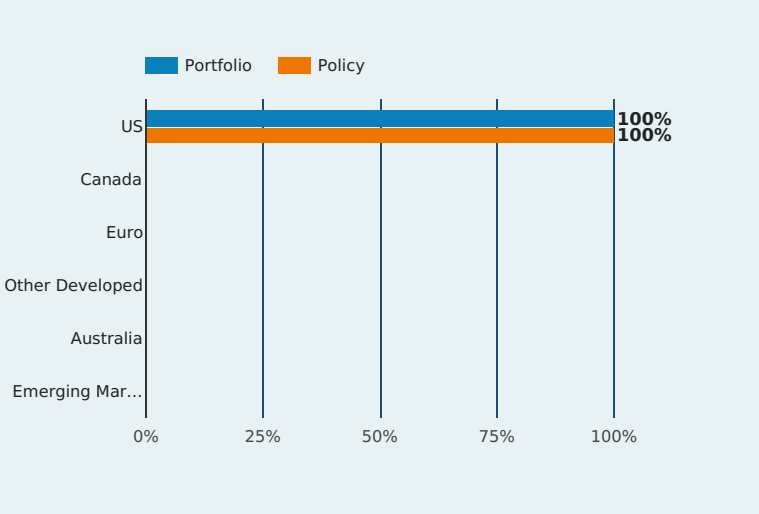
18 Interest rate bucket

	Portfolio	Policy	Difference
Duration	5.4	5.4	0.0
Yield to Maturity	2.4%	2.4%	0.0%
Wt. Avg. Rating	Aa1 / Aa2	Aa1 / Aa2	

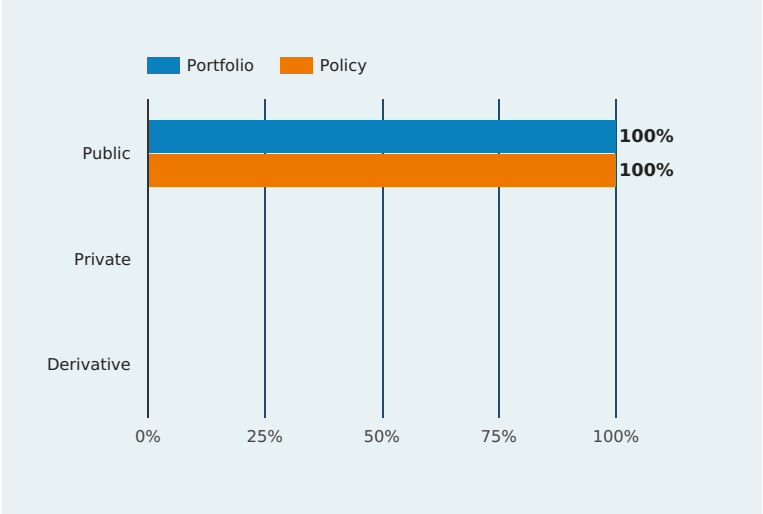
19 Rates bucket - Geographic exposure



20 Rates bucket - Currency exposure



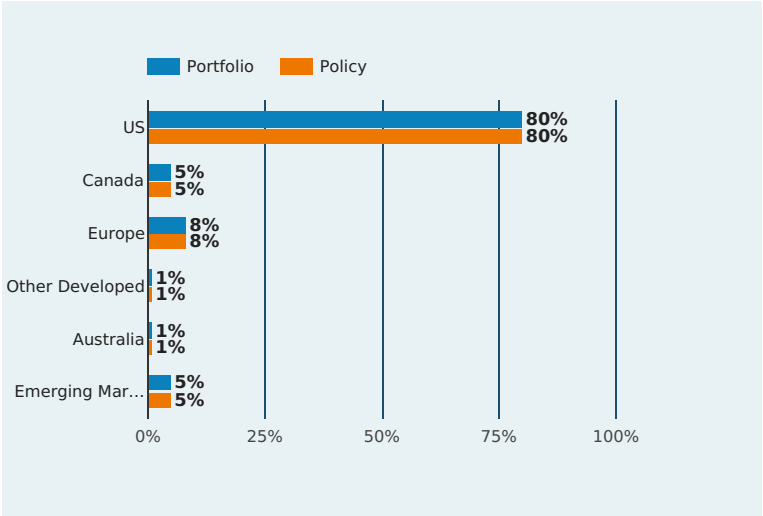
21 Rates bucket - Security type



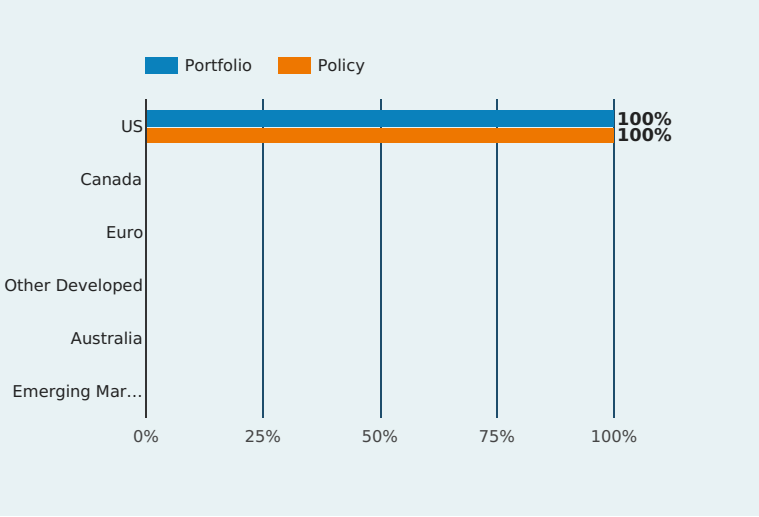
22 Credit bucket

	Portfolio	Policy	Difference
Duration	4.0	4.0	-0.0
Coupon Yield	6.9%	6.9%	0.0%
Yield to Maturity	7.3%	7.3%	0.0%
Wt. Avg. Rating	B1 / B2	B1 / B2	

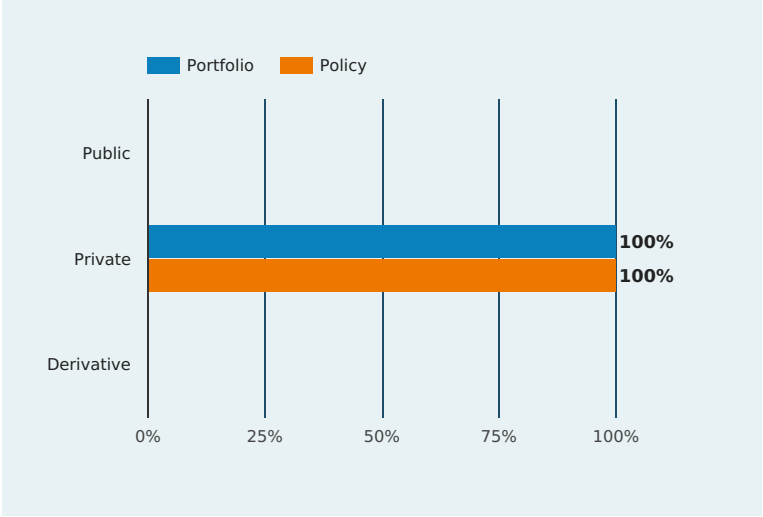
23 Credit bucket - Geographic exposure



24 Credit bucket - Currency exposure



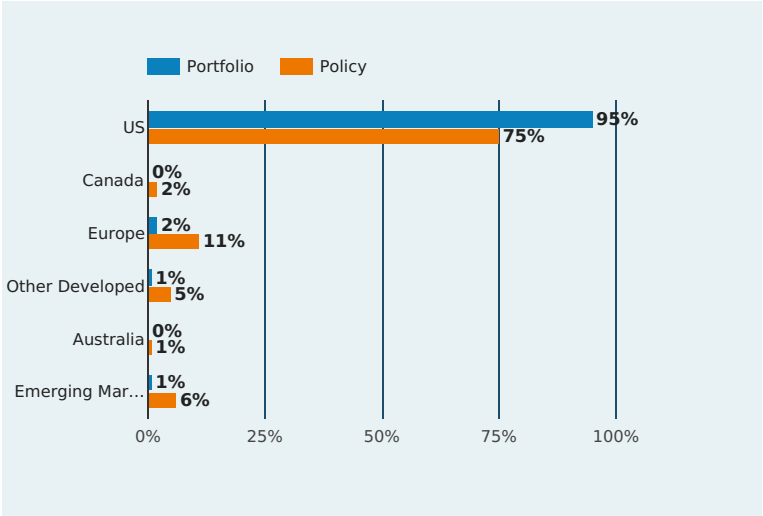
25 Credit bucket - Security type



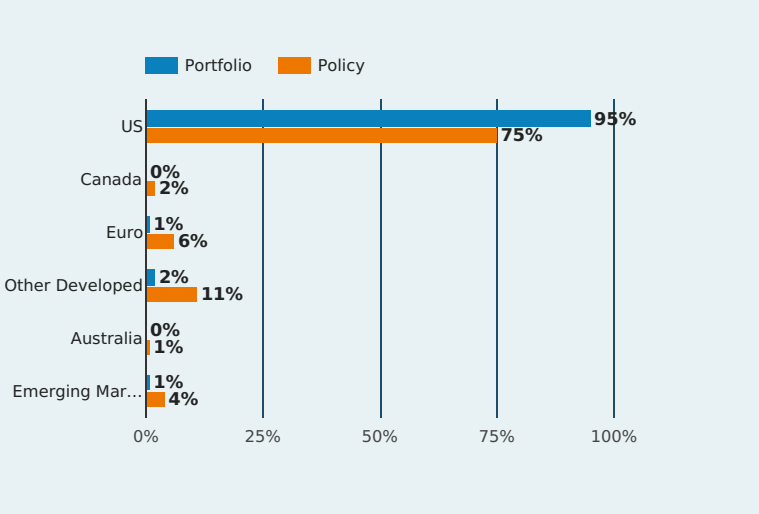
26 Inflation bucket

	Portfolio	Policy	Difference
Real Estate Allocation	3.6%	3.5%	0.1%
Global Infrastructure	0.4%	3.0%	-2.6%

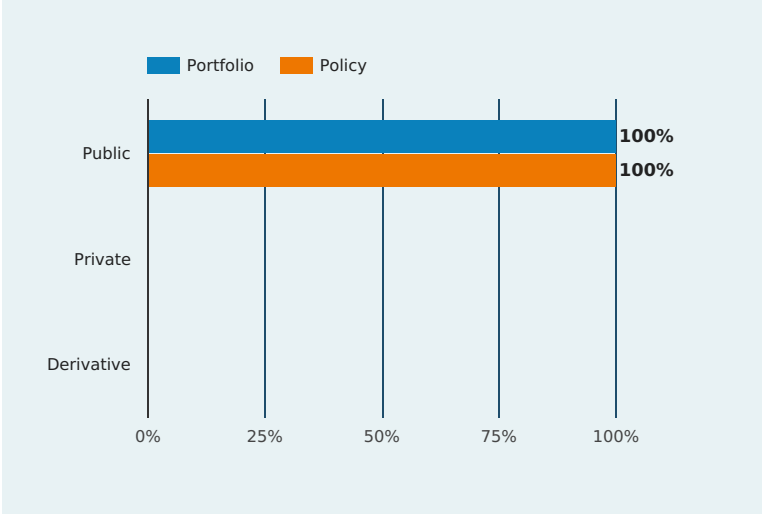
27 Inflation bucket - Geographic exposure



28 Inflation bucket - Currency exposure



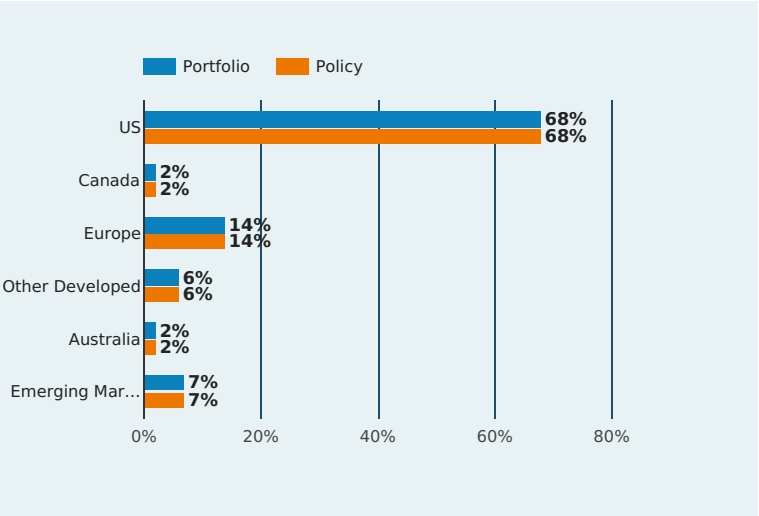
29 Inflation bucket - Security type



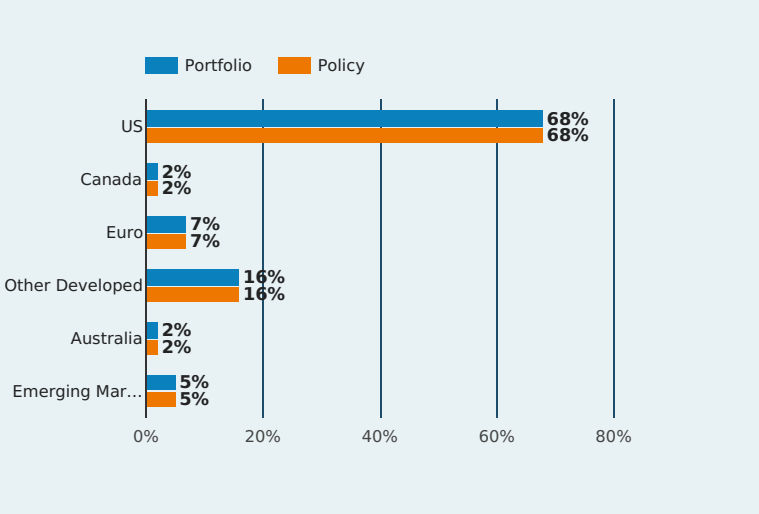
30 Equity bucket

	Portfolio	Policy	Difference
Beta	1.0	1.0	0.0
Dividend Yield	2.4%	2.4%	0.0%
PE Ratio	20.8	20.8	0.0

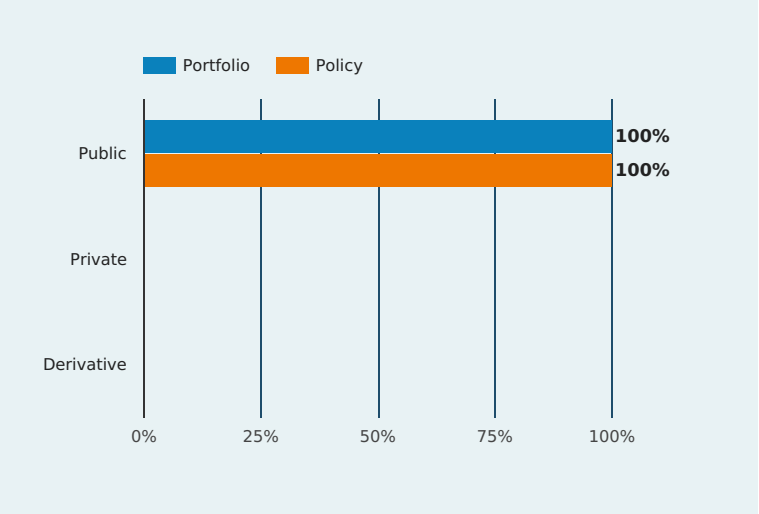
31 Equity bucket - Geographic exposure



32 Equity bucket - Currency exposure



33 Equity bucket - Security type



34 Market value summary per BarraOne

Bucket	Asset Class	Account Name	Account	Market Value (millions)
Cash	Cash	Cash	Cash	0.0
Cash Total				0.0
Credit	HY Bonds	White Oak Pinnacle	White Oak Pinnacle	36.7
		Medley Capital	Medley Capital	27.8
		Raven Capital	Raven Capital	25.7
		Raven Opportunity III	Raven Opportunity III	8.4
Credit Total				98.5
Equity	EAFE Equity	Pyramis	Pyramis	173.5
		LSV Asset Mgt	LSV Asset Mgt	165.6
	US Equity	Dodge & Cox-Equity	Dodge Cox Equity	163.2
		Jackson Square	Jackson Square	121.2
		BlackRock Russell 1000 Value	BlackRock Russell 1000 Value	101.6
		Mellon S&P 500	Mellon S&P 500	86.4
		BlackRock Russell 1000 Growth	BlackRock Russell 1000 Growth	85.2
		Capital Prospects	Capital Prospects	83.1
		Legato Capital	Legato Capital	78.5
Equity Total				1,058.3
Inflation	Infrastructure	MS Infrastructure Partners II	MS Infrastructure Partners II	6.9
	Real Estate	BlackRock US Real Estate	BlackRock US Real Estate	24.8
		Prime Property Fund	Prime Property Fund	16.1
		American Strategic Value Realty	American Strategic Value Realty	12.1
		Greenfield Gap	Greenfield Gap	10.2
Inflation Total				70.1
Rates	US Bonds	Dodge & Cox-Fixed	Dodge Cox Fixed	419.2
		PIMCO	PIMCO	116.2
Rates Total				535.5

Total Portfolio (millions)

1,762.3



Chart Definitions

1	<b>Portfolio risk</b> Total risk comparison of portfolio, Policy, and Avg. Pension. Policy is composed of 18% MSCI ACWI ex US, 4.8% S&P 500, 11.3% Russell 1000 Growth, 14.4% Russell 1000 Value, 3.7% Russell 2000 Growth, 4.0% Russell 2000 Value, 29.8% Barclays Capital US Aggregate, 3% MSCI ACWI Infrastructure, 7.5% Barclays Capital US Corporate High Yield, and 3.5% NFI ODCE. Average pension is based on median allocation of DB Plans > \$1 Billion, which is composed of 1.1% Cash, 26.1% US Equity, 15.1% Global ex-US Equity, 3.4% EM Equity, 6% Private Equity, 22.5% US Fixed Income, 4.3% Global Fixed Income, 1.5% Global ex-US Fixed Income, 2.4% EM Fixed Income, 8.1% Hedge Fund, 1.05% Commodity, 1.05% Forestry, and 7.4% Real Estate.
2	<b>Portfolio equity beta</b> Equity risk presented by equity beta to market. Equity beta is a measure describing the sensitivity of portfolio returns with returns of the equity market (MSCI ACWI).
3	<b>Portfolio interest rate risk - Duration</b> Interest rate risk presented by duration and dollar movement of portfolios. Duration of a financial asset that consists of fixed cash flows is the weighted average of the times until those fixed cash flows are received (measured in years). It also measures the percentage change in price for a given change in yields (the price sensitivity to yield). DVo1 \$ (dollar duration) is the change in price in dollars of a financial instrument resulting from a one basis point change in yield.
4	<b>Portfolio credit risk - Spread duration</b> Credit risk presented by spread duration and dollar movement of portfolios. Spread duration measures the percentage change in price for a one percentage point change in spreads.
5	<b>Exposure allocation by asset class</b> Exposure allocation among various asset classes.
6	<b>Exposure allocation</b> Exposure allocation among major risk buckets (rates, credit, equity, inflation, currency) and net currency exposure (domestic vs. foreign). Full Cash collateral is assumed for all derivatives.
7	<b>Relative risk vs target by bucket</b> Comparative riskiness of Portfolio vs. Policy on total portfolio and risk bucket levels: For example, equity bucket relative risk compares the riskiness of the Portfolio equity bucket vs the Policy equity bucket.
8	<b>Relative risk vs target by risk factor</b> Comparative riskiness of Portfolio vs. Policy on a total portfolio level and major risk factor levels.
9	<b>Risk factor weight relative to target</b> Contribution by factor to total relative risk of the Portfolio vs the Policy: For example, Equity is equity risk contribution to Portfolio minus equity risk contribution to the Policy, divided by total risk of the Policy. The factor overweights are additive to the total relative risk at the top line.
10	<b>Tail risk - Scenario analysis</b> Tail risk is a form of risk measurement that considers the possibility that a market will experience losses greater than what the normal distribution would suggest. This graph shows the expected performance under various historical scenarios (described in the appendix at the end of this report). For each historical scenario, the current market value is recalculated to determine return under identical market conditions, assuming an instantaneous shock.
11	<b>Tail risk - Stress tests</b> Expected performance under various one-risk-factor stress tests. Directly affected asset classes are revalued at the factor levels.
12	<b>Risk contribution by risk factor</b> Risk contribution by risk factor. Volatility measures the price variation of a portfolio or financial instrument over time.
13	<b>Active risk contribution by risk factor</b> Active risk in terms of annual tracking error: Tracking Error (TE) measures how closely a portfolio follows its benchmark. It is the standard deviation of the difference between the portfolio and benchmark returns.
14	<b>Geographic exposure</b> Geographic exposures are calculated using the notional exposure as a percentage of market value, including derivatives, cash securities and currency holdings, but excluding currency derivatives. Any portfolio that uses derivatives may have a total different than 100% because both cash and derivative country exposures are included.
15	<b>Currency exposure</b> Currency portfolio allocation. Currency exposures from both the underlying securities and the purchasing currency of the futures contract are included.
16	<b>Net geographic exposure</b> Difference between portfolio and policy allocation among major geographic areas.
17	<b>Net currency exposure</b> Difference between portfolio and policy allocation among major currencies.
18	<b>Interest rate bucket</b> Coupon yield (nominal yield) of a fixed income security is a fixed percentage of the par value that does not vary with the market price of the security. Yield to Maturity (YTM) is the interest rate of return earned by an investor who buys a fixed-interest security today at the market price and holds it until maturity. Ratings indicate credit quality of a security and the issuer's ability to make payments of interest and principal.
19	<b>Rates bucket - Geographic exposure</b> Geographic exposures specific to the Rates bucket are calculated using the notional exposure as a percentage of market value, including derivatives, cash securities and currency holdings, but excluding currency derivatives. Any portfolio that uses derivatives may have a total different than 100% because both cash and derivative country exposures are included.
20	<b>Rates bucket - Currency exposure</b> Currency allocation of interest rate instruments.

21	<b>Rates bucket - Security type</b> Allocation of interest rate instruments among different security types.
22	<b>Credit bucket</b> Various characteristics of credit instruments.
23	<b>Credit bucket - Geographic exposure</b> Geographic exposures specific to the Credit bucket are calculated using the notional exposure as a percentage of market value, including derivatives, cash securities and currency holdings, but excluding currency derivatives. Any portfolio that uses derivatives may have a total different than 100% because both cash and derivative country exposures are included.
24	<b>Credit bucket - Currency exposure</b> Currency allocation of credit instruments.
25	<b>Credit bucket - Security type</b> Allocation of credit instruments among different security types.
26	<b>Inflation bucket</b> Composition of inflation hedging instruments in portfolio and benchmark. Notional duration of real rates instruments is also included.
27	<b>Inflation bucket - Geographic exposure</b> Geographic exposures specific to the Inflation bucket are calculated using the notional exposure as a percentage of market value, including derivatives, cash securities and currency holdings, but excluding currency derivatives. Any portfolio that uses derivatives may have a total different than 100% because both cash and derivative country exposures are included.
28	<b>Inflation bucket - Currency exposure</b> Currency allocation of inflation instruments.
29	<b>Inflation bucket - Security type</b> Allocation of inflation instruments among different security types.
30	<b>Equity bucket</b> P/E ratio is a valuation ratio of a company's current share price compared to its per-share earnings. Beta measures sensitivity to Global Equities.
31	<b>Equity bucket - Geographic exposure</b> Geographic exposures specific to the Equity bucket are calculated using the notional exposure as a percentage of market value, including derivatives, cash securities and currency holdings, but excluding currency derivatives. Any portfolio that uses derivatives may have a total different than 100% because both cash and derivative country exposures are included.
32	<b>Equity bucket - Currency exposure</b> Currency allocation of equity assets.
33	<b>Equity bucket - Security type</b> Allocation of equity assets among different security types.
34	<b>Market value summary per BarraOne</b> Summary of market value of Portfolio holdings by bucket as reported through BarraOne. Some differences may exist due to timing, pricing sources and availability of information on new investments.

## Tail Risk Scenario Definitions

1	<b>2009-2010 July-January</b> (7/1/2009 - 12/31/2009) As global economic woes persisted, many countries were saddled with widening budget deficits, rising borrowing costs, slowing growth, higher unemployment, and higher inflation, which made monetary stimulus difficult. Dubai World sought to delay its huge debt repayments, shocking the global market, while the financial distress in Greece and Ireland began to emerge in late 2009.
2	<b>2007-2009 Subprime Meltdown</b> (1/10/2007 - 2/27/2009) The burst of the housing bubble in mid-2007 marked the beginning of the years-long subprime mortgage crisis, rooted from the easy credit, low interest rates, and loose regulatory environment in the early 2000s, which made low quality (subprime) mortgaging extremely easy. The contagious meltdown quickly led to plunging asset prices in the financial markets, rising bankruptcies, delinquencies, and foreclosures, and central bank monetary rescues and fiscal interventions by governments around the globe.
3	<b>2007-2008 Oil Price Rise</b> (1/18/2007 - 6/27/2008) Oil prices spiked from around \$60/bbl in 2007 to a record high of \$145/bbl on 3 July 2008.
4	<b>2001 Dot-com Slowdown</b> (3/10/2001 - 10/9/2002) Upon the burst of the tech bubble in 2000, more and more internet companies went out of business as the stock market plummeted further.
5	<b>1997-1999 Oil Price Decline</b> (1/8/1997 - 2/16/1999) The combined effect of OPEC overproduction and lower oil demand due to the Asia economic crisis sent oil prices into a downward spiral.
6	<b>1994 US Rate Hike</b> (1/31/1994 - 12/13/1994) In combating inflation, the U.S. Federal Reserve raised its interest rate from 3.25% in February to 5.5% in November 1994.
7	<b>1992-1993 European Currency Crisis</b> (9/1/1992 - 8/13/1993) Upon Germany's reunification, the German mark appreciated rapidly, which destabilized exchange rates between European countries under the European Monetary System. It led to a series of European currency devaluations, interest rate increases, and the widening range of exchange rates in 1992.
8	<b>1989-1990 Nikkei Stock Price Correction</b> (12/29/1989 - 3/30/1990) After hitting the Nikkei stock index's all-time high on December 29, 1989, the Japan financial market crashed and plunged to a low in March 1990.

- 9    **1987 Market Crash (Oct 14 to Oct 19)**  
(10/14/1987 - 10/19/1987) The U.S. stock market began to topple on October 14, 1987 after reaching a record high. It was triggered by reports of a larger trade deficit and the elimination of the tax benefits of financing mergers. The aggravating selling pressure in October 19, from confused and fearful investors, and the failing portfolio insurers' models led to a substantial global market sell-off.
- 10    **1972-1974 Oil Crisis (Dec to Sep)**  
(12/1/1972 - 9/30/1974) Many developed countries suffered in this energy crisis as OPEC members placed an oil embargo on the U.S. and Israel's allies during the Yom Kippur War in October 1973, which sent global oil prices soaring.

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# **PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS**



ITEM 8.c

**AUGUST 23, 2016**

Private Assets Reporting Methodology

**Stanislaus County Employees' Retirement Association**

# Reporting challenges

- As of June 30, 2016, 6.6% of Plan assets were invested in private assets (private real estate, direct lending, and infrastructure)
  - Under the new “FFP 6-yr” asset allocation, StanCERA’s new strategic target for private assets is 24%
- While public assets are valued using readily available market data, private asset valuation is a more complex, time consuming process
  - Many closed-end funds require more than a month to provide quarterly statements
  - If the statements are not available when producing the quarterly report an alternative approach must be employed
- This presentation discusses:
  - The current private asset reporting methodology used by StanCERA; and
  - An alternative methodology that can be implemented to mitigate the challenges associated with private assets reporting.

# Approaches

- The current reporting methodology seeks to approximate “real time” reporting:
  - Quarterly gains and losses are recorded in the period corresponding to the valuation date
  - If statements are not timely, a 0% placeholder is entered into the quarterly performance report
  - This method introduces “artificial” tracking error due to the 0% placeholder
  
- An alternative method is the “lagged” approach:
  - Quarterly gains and losses are recorded from the prior quarter (e.g. 1Q returns would be presented in the 2Q performance report)
  - Lagging provides time for the managers to finalize the valuations of assets in the portfolio
  - Valuations are then adjusted for capital calls & distributions, providing a reasonable approximation of current asset values
  - Lagging private asset performance will give a better representation of portfolio performance relative to the policy index

# Recommendation

Adopt the “lagged” approach

— Effects on strategy and asset class performance:

- Performance for all private assets will be lagged one quarter
- Market values will remain “up to date”, inclusive of all capital calls and distributions.

— Transition to lagged approach:

- Implementing for 3Q reporting would result in an approximately 0% return for these strategies
  - Only change from 2Q to 3Q would be updated valuations from certain managers and cash flows for the strategies
- 4Q report would then reflect the change in values between 2Q and 3Q as well as cash flows during 4Q
- Transitioning with 7% of assets in private markets is easier than when exposure increases

— Effects on the Policy Index:

- Benchmarks & policy index components for private assets will also be lagged

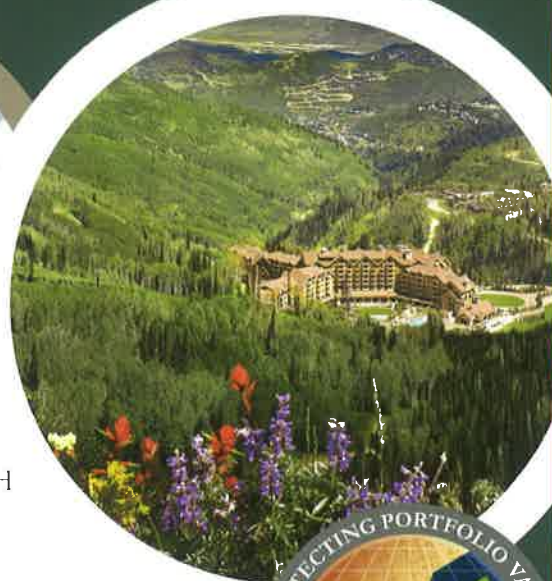


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# 2016

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You are cordially invited to attend the eighth annual Public Funds Forum, an invitation-only educational conference designed to train public fund representatives on practices to best fulfill fiduciary duties, protect portfolio assets and create long-term value.

Item 9.a.

*Join Us...* for three days of informative sessions with experts who will cover topics ranging from manager selection, economic trends, risk management, corporate accountability, global investment strategies and approaches for maximizing portfolio returns.

### OUR DISTINGUISHED SPEAKERS INCLUDE:



*Ben S. Bernanke*  
Chairman, The Federal Reserve  
System (2006-2014)



*Richard A. Bennett*  
President & CEO,  
ValueEdge Advisors



*Darren J. Robbins*  
Partner, Robbins Geller  
Rudman & Dowd LLP



*Nell Minow*  
Vice Chair,  
ValueEdge Advisors



*Lewis Black*  
Comedian, Actor and Author



*David Axelrod*  
Senior Strategist, 2012 Obama Re-election Campaign;  
Senior Advisor to President Barack Obama (2009-2011)

For more information and to register, visit [www.PublicFundsForum.com](http://www.PublicFundsForum.com) or call (310) 476-8108.

Robbins Geller  
Rudman & Dowd LLP

ValueEdge  
ADVISORS

Gilardi  
& COLLIC

# 2016 Public Funds Forum

## SESSIONS AGENDA

### SESSION 1: A Conversation with Dr. Ben S. Bernanke

Drawing on his extraordinary career as chairman of the Federal Reserve, Dr. Ben S. Bernanke examines the current U.S. and global economic landscape and the key challenges facing the world today.

### SESSION 2: Outlook for the Global Investor: Fortuities and Forebodings

Renowned and influential investors discuss big trends in global economics and investing, including the risks of deflation, anemic economic recoveries in major markets, opportunities and threats to public funds in our uncertain macroeconomic environment, and methods fund fiduciaries can utilize to best secure returns and protect assets.

### SESSION 3: The Global Investor Roundup

Veteran asset managers and international experts respond and review material risks and opportunities facing funds investing in global markets, including specific risks and opportunities arising in various regions globally.

### SESSION 4: Interview with a Chairman

An experienced chairman of the board from a leading U.S. company discusses the best practices for effective interaction with institutional investors, corporate governance, management and director accountability, and the brave new world of the active shareowner.

### SESSION 5: Climate Change Challenge: Divestment or Engagement

Experienced panelists explore how leading institutional investors are responding to the pressure from activists, beneficiaries and legislators regarding climate change, demands to divest from fossil fuel companies and the most effective ways for investors to have an impact on environmental issues.

### SESSION 6: A Satirical Look at Current Events and the Presidential Election

### SESSION 7: Using Securities Litigation for Portfolio Protection

Leading securities lawyers and fund managers present case studies on how the most successful pension funds have participated in securities litigation to improve portfolio returns, reduce investment risk, and fix troubled companies.

### SESSION 8: Best Practices in Fund Governance

How pension funds are continually improving their own practices, from board governance and investment policy-making to risk management and stakeholder relations.

Learn what is working best from fund managers leading innovation and improving accountability.

### SESSION 9: Lessons from a Legend

Global economic and investment leaders discuss the state of the economy, the changing landscape of asset deployment, and how best to protect fund investments.



### SESSION 10: The New Accounting: Reporting What Counts

With increasing disconnection between asset values and GAAP measures, new accounting methods are emerging to account for the off-balance-sheet intangibles that drive corporate performance and portfolio value. Learn the latest developments in this new accounting from those on the cutting edge.

### SESSION 11: Emerging Issues in Governance and Investing

A panel of visionaries discusses current trends in pension management, activist investing, corporate accountability, executive compensation and portfolio protection.

### SESSION 12: America's Future

One of President Obama's closest advisors and the architect of his two historic presidential runs for the oval office looks at today's headlines and analyzes the key issues at stake over the next presidential term.

## NETWORKING ACTIVITIES



### WESTERN BARBECUE

Enjoy the distinctive smell and taste of a real down-home barbecue surrounded by the stars and majestic mountains of Deer Valley.



### GREAT GATSBY DINNER

Dine and dance the night away as you revel in the style of Jay Gatsby in the roaring 20s.



### RIVER RAFTING

Experience the beauty and grandeur of magnificent canyons as you ride the white water rapids of the Colorado River.



### FOOD TOUR

Take a delicious tasting tour and learn about the philosophy, secrets and history of Park City's top-rated Main Street restaurants.



### FLY FISHING

Catch the "Zen" as well as the fish on a trip to the Provo River with world-class guides.



### HIKING

Explore the natural beauty of Deer Valley as you are guided by Mountain Hosts through the Wasatch Mountains.

## REGISTRATION

### HOTEL ACCOMMODATIONS

A discounted block of rooms has been reserved at the Montage Deer Valley for the conference. Register by July 15, 2016 to receive a discounted room rate of \$305 per night (not including applicable taxes). Please call (435) 604-1300 and reference "Public Funds Forum" to reserve your room.

### REGISTRATION\*

The registration fee for the conference is \$825.\*\*

The guest fee is \$430.\*\*\*

\* The registration fee includes admission to the conference sessions, educational materials, meals and refreshments, and a choice of either the river rafting, food tour, fly fishing or hiking networking activities that are integral to the conference agenda.

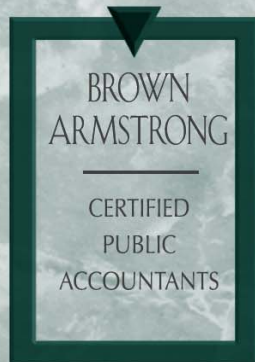
\*\* Upon request and as legally permissible, the registration fee may be waived subject to applicable gift and gratuity limitations. Public officials in certain jurisdictions may accept all or part of conference benefits free of charge. Conference networking activities will be offered at fair market value for guests who may not accept participation free of charge. Public officials are encouraged to contact their ethics officials with questions.

\*\*\* Conference attendees may bring guests for an additional fee of \$430. Guest attendance is limited to the Western Barbecue and the Great Gatsby Dinner. Guests may participate in river rafting, the food tour, fly fishing or hiking for an additional fee.

For more information and to register, visit [www.PublicFundsForum.com](http://www.PublicFundsForum.com).

CLE and CPE accreditation pending.





**BROWN ARMSTRONG**  
*Certified Public Accountants*

**Stanislaus County Employees' Retirement Association  
Internal Governance Committee  
June 30, 2016 Audit Entrance Meeting  
By: Ashley Casey, CPA  
August 1, 2016  
1:00 P.M.**

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

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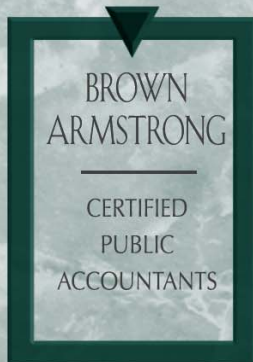
**PASADENA OFFICE**

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PASADENA, CA 91101  
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FAX 626.204.6547

**STOCKTON OFFICE**

5250 CLAREMONT AVENUE  
SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

1. Audit and GASB 68 Engagement Letters – See Attached
2. Required Communication to the Internal Governance Committee in Accordance with Professional Standards – See Attached
3. Overview and Summary of Audit Plan
  - i. The Audit Process
    - a.) Timeline coordination with StanCERA staff – see attached Critical Dates List
    - b.) Understanding and evaluation of StanCERA internal controls through inquiry and observation
    - c.) Confirmation of account balances, legal, active and retired participants, custodian, consultant, and actuary
    - d.) Interim fieldwork
    - e.) Final fieldwork
    - f.) Report presentation
  - ii. Significant Audit Areas/Scope of Audit Work
    - a.) Risk based approach
    - b.) Investments and related earnings
    - c.) Participant data and actuarial information
    - d.) Employee and employer contributions
    - e.) Benefit payments
    - f.) GASB 67 and 72
4. Questions and/or Comments?



# BROWN ARMSTRONG

*Certified Public Accountants*

June 15, 2016

Mr. Rick Santos, Executive Director, and  
Internal Governance Committee of  
Stanislaus County Employees' Retirement Association  
832 12th Street #600  
Modesto, California 95354

**BAKERSFIELD OFFICE  
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5250 CLAREMONT AVENUE  
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STOCKTON, CA 95207  
TEL 209.451.4833

Dear Mr. Santos and Internal Governance Committee:

We are pleased to confirm our understanding of the services we are to provide Stanislaus County Employees' Retirement Association for the year ended June 30, 2016. We will audit the financial statements, including the related notes to the financial statements, which collectively comprise the basic financial statements of Stanislaus County Employees' Retirement Association as of and for the year ended June 30, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis, to supplement Stanislaus County Employees' Retirement Association's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Stanislaus County Employees' Retirement Association's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Changes in Net Pension Liability and Related Ratios
- 3) Schedule of Employer Contributions
- 4) Schedule of Investment Returns
- 5) Notes to Required Supplementary Information

We have been engaged to report on other supplemental information other than RSI that accompanies Stanislaus County Employees' Retirement Association's financial statements for the Comprehensive Annual Financial Report (CAFR). We will subject the following other supplemental information to the auditing procedures applied in

our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of Administrative Expenses
- 2) Schedule of Investment Management Fees and Other Investment Expenses

The following information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that information.

- 1) Introductory Section
- 2) Investment Section
- 3) Actuarial Section
- 4) Statistical Section

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the other supplemental information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of Stanislaus County Employees' Retirement Association and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Stanislaus County Employees' Retirement Association's financial statements. Our report will be addressed to the Board of Retirement and Internal Governance Committee of Stanislaus County Employees' Retirement Association. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Stanislaus County Employees' Retirement Association's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stanislaus County Employees' Retirement Association's internal control and

compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that Stanislaus County Employees' Retirement Association is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to Stanislaus County Employees' Retirement Association or to acts by management or employees acting on behalf of Stanislaus County Employees' Retirement Association. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, direct confirmation of investments, plan obligations, and certain other assets and liabilities by correspondence with selected individuals, actuaries, financial institutions, and other third parties. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts and agreements; and other responsibilities required by the auditing standards generally accepted in the United States of America.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of Stanislaus County Employees' Retirement Association and its environment, including internal control, sufficient to assess the risks of material

misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under American Institute of Certified Public Accountants professional standards and *Government Auditing Standards*.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Stanislaus County Employees' Retirement Association's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

In addition, we will perform certain procedures directed at considering Stanislaus County Employees' Retirement Association's compliance with applicable Internal Revenue Service (IRS) requirements for tax exempt status. However, you should understand that our audit is not specifically designed for and should not be relied upon to disclose matters affecting plan qualifications or compliance IRS requirements. If during the audit we become aware of any instances of any such matters or ways in which management practices can be improved, we will communicate them to you.

#### **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and agreements. You are also responsible for the selection and application of accounting principles; for establishing an accounting and financial reporting process for determining fair value measurements; for the acceptance of the actuarial methods and assumptions used by the actuary; and for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair



presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within Stanislaus County Employees' Retirement Association from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting Stanislaus County Employees' Retirement Association involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting Stanislaus County Employees' Retirement Association received in communications from employees, former employees, sponsors, regulators, or others. In addition, you are responsible for identifying and ensuring that Stanislaus County Employees' Retirement Association complies with applicable laws, regulations, contracts, and agreements and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or agreements, or abuse that we report.

You are responsible for the preparation of the other supplemental information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the other supplemental information in any document that contains and indicates that we have reported on the other supplemental information. You also agree to include the audited financial statements with any presentation of the other supplemental information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the other supplemental information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the other supplemental information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the other supplemental information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date the subsequent event note earlier than the date of your management representation letter.

You agree to assume all management responsibilities relating to the financial statements and related notes, actuarial services, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

#### **Engagement Administration, Fees, and Other**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your personnel will prepare schedules, analyses, and all cash, contribution, investment manager or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to Stanislaus County Employees' Retirement Association; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Brown Armstrong Accountancy Corporation and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Armstrong Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of

Mr. Rick Santos, Executive Director, and  
Internal Governance Committee of  
Stanislaus County Employees' Retirement Association  
June 15, 2016  
Page Seven

selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the U.S. Government Accountability Office.

We expect to begin our audit on approximately August 1, 2016, and to issue our reports no later than November 22, 2016. Andrew J. Paulden is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

In accordance with our agreement, our gross fee, including expenses, will not exceed \$30,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

All disputes under this agreement shall be submitted to mediation. Each party shall designate an executive officer empowered to attempt to resolve the dispute. Should the designated representatives be unable to agree on a resolution, a competent and impartial third party acceptable to both parties shall be appointed to mediate. Each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement at least 60 days after the mediator's first meeting with the involved parties. In the event that the dispute is required to be litigated, the court shall be authorized to assess litigation costs against any party found to have participated in the mediation process in good faith.

Our relationship with you is limited to that described in this letter. As such, you understand and agree that we are acting solely as independent accountants. We are not acting in any way as a fiduciary or assuming any fiduciary responsibilities for you. We are not responsible for the preparation of any report to any governmental agency, or any other form, return, or report or for providing advice or any other service not specifically recited in this letter.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letters of comment, and any subsequent peer review reports and letters of comment received during the contract period. Accordingly, our peer review report dated February 8, 2013, accompanies this letter.

Mr. Rick Santos, Executive Director, and  
Internal Governance Committee of  
Stanislaus County Employees' Retirement Association  
June 15, 2016  
Page Eight

We appreciate the opportunity to be of service to Stanislaus County Employees' Retirement Association and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



By: Andrew J. Paulden

AJP:alc:jav  
Enclosure

Pfx Engagement/78460/STANCERA Audit 2016/PSR-02-2 Engagement Letter - Draft

**RESPONSE:**

This letter correctly sets forth the understanding of Stanislaus County Employees' Retirement Association.

Executive Director

Signature: \_\_\_\_\_



Title: \_\_\_\_\_ Executive Director

Date: \_\_\_\_\_ 7/20/16



## System Review Report

To the Shareholders of  
Brown Armstrong Accountancy Corporation  
and the National Peer Review Committee of the AICPA

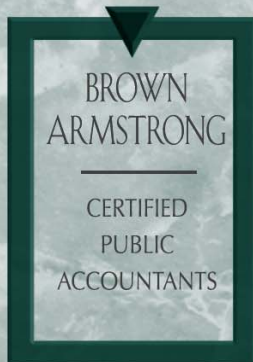
We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation (the firm) applicable to non SEC issuers in effect for the year ended October 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation applicable to non SEC issuers in effect for the year ended October 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Brown Armstrong Accountancy Corporation has received a peer review rating of *pass*.

  
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 8, 2013



# BROWN ARMSTRONG

*Certified Public Accountants*

June 15, 2016

Mr. Rick Santos, Executive Director, and  
Internal Governance Committee of  
Stanislaus County Employees' Retirement Association  
832 12<sup>th</sup> Street #600  
Modesto, California 95354

Re: GASB 68 Engagement

Dear Mr. Santos and Internal Governance Committee:

Brown Armstrong Accountancy Corporation is pleased to provide Stanislaus County Employees' Retirement Association (hereinafter "you" or "your") with the professional services described below. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will assist your government in implementing certain applicable provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 (*Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*) (Hereafter defined as GASB-68) as requested by you, and as described in the scope of the engagement section below.

## Scope of Engagement

We will assist your government in the following:

- Perform procedures to the Employers, as listed in Attachment 1, to accumulate sufficient audit evidence necessary to provide an unmodified opinion for cost-sharing multiple-employer plans whose auditors opine/report on the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer. The opinion will be for the year ended measurement date June 30, 2016.

Our work will be limited to the scope agreed upon. The engagement cannot be relied on to disclose errors, irregularities, or illegal acts, including fraud or theft.

We will not perform management functions or make management decisions on your behalf. However, we may provide advice and recommendations to assist your management in performing its functions and making decisions.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope and estimated cost of these additional services. Engagements for additional services may necessitate that we amend this letter or issue a separate engagement letter to reflect the obligations of both parties. In the absence of any other written communications from us documenting additional services, our services will be limited to and governed by the terms of this engagement letter.

### BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

### FRESNO OFFICE

7673 N. INGRAM AVENUE  
SUITE 101  
FRESNO, CA 93711  
TEL 559.476.3592  
FAX 559.476.3593

### PASADENA OFFICE

260 S. LOS ROBLES AVENUE  
SUITE 310  
PASADENA, CA 91101  
TEL 626.204.6542  
FAX 626.204.6547

### STOCKTON OFFICE

5250 CLAREMONT AVENUE  
SUITE 150  
STOCKTON, CA 95207  
TEL 209.451.4833

Mr. Rick Santos, Executive Director, and  
Internal Governance Committee of  
Stanislaus County Employees' Retirement Association  
June 15, 2016  
Page Two

### **Client Responsibilities**

You authorize us to accept instructions from your representative for this engagement. As a condition to our performing the services described above, you agree to:

- Make all management decisions and perform all management functions.
- Designate an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services, who will serve and be held accountable as the main contact.
- You are responsible for the presentation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer.
- Evaluate the adequacy and results of the services performed.
- Accept responsibility for the results of the services.
- Establish and maintain internal controls over the procedures and monitor ongoing activities.

You agree that your management and employees' are responsible for the proper recording of transactions in the records, for the safekeeping of assets, and the accuracy of the financial statements. We have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control as part of this engagement.

### **Brown Armstrong Accountancy Corporation Responsibilities**

We will perform our services in accordance with applicable professional standards promulgated by the American Institute of Certified Public Accountants. This engagement is limited to the professional services outlined above. Brown Armstrong Accountancy Corporation, in its sole professional judgment, reserves the right to refuse to take any action that could be construed as making management decisions or performing management functions.

The above professional services will be performed based on data and information you provide to us. We will not audit, review, or compile your financial statements. Therefore, our engagement cannot be relied upon to disclose errors, fraud, or theft.

### **Timing of Engagement**

We will begin the above engagement upon approval of this engagement letter, and will conclude based on a date agreed upon between the parties.

### **Fees and Billings**

Our fees for the services outlined above will be billed monthly at the standard billing rate for each of the professionals performing the work, plus out-of-pocket expenses. Our fees will not exceed \$15,000. Invoices are due within 30 days of the date on the billing statement. Our fee is based upon the complexity of the work to be performed and our professional time to complete the work. Additionally, this fee is dependent on the timely delivery, availability, quality, and completeness of the information you provide to us.

Mr. Rick Santos, Executive Director, and  
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If the necessary information you provide is not submitted in a timely manner or is incomplete or unusable, we reserve the right to charge additional fees and expenses for services required to correct the problem. If this occurs, we will contact your representative to discuss the matter and the anticipated delay in performing our services.

In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. We reserve the right to suspend or terminate our work. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet government and other deadlines, for any penalties or interest that may be assessed against you resulting from the failure to meet such deadlines, and for any other damages (including consequential damages) incurred as a result of the suspension or termination of our work.

### **Termination and Other Terms**

We reserve the right to withdraw from this engagement without completing the work if you fail to comply with the terms of this engagement letter. If any portion of this agreement is deemed invalid or unenforceable, the finding shall not invalidate the remainder of the terms set forth in this engagement letter.

#### *Staffing of Engagement*

Andrew J. Paulden, CPA, will lead the team assigned to service your account and will serve as the primary contact with you for this engagement. The team will include professional staff or other members of the firm.

#### *Conflict of Interest*

If we, in our sole discretion, believe a conflict has arisen affecting our ability to service Stanislaus County Employees' Retirement Association in accordance with either the ethical standards of our firm or the ethical standards of our profession, we may be required to suspend or terminate our services.

#### *Record Retention Policy*

Our records retention policy requires us to return all original records and documents that you have given us to you at the conclusion of the engagement. Your records are the primary records for your operations and comprise the backup and support for your financial reports. Our records and files are our property and are not a substitute for your own records. Our firm destroys our engagement files and workpapers after a period of 7 years. Catastrophic events or physical deterioration may result in our firm's records being unavailable before the expiration of the above retention period.

#### *Electronic Communication*

In the interest of facilitating our services to your organization, we may communicate by electronic mail over the Internet. Such communications may include information that is confidential to you. Our firm employs measures in the use of computer technology designed to maintain data security. While we will use reasonable efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent and consent to our use of these electronic devices during this engagement.



Mr. Rick Santos, Executive Director, and  
Internal Governance Committee of  
Stanislaus County Employees' Retirement Association  
June 15, 2016  
Page Four

### *Alternative Dispute Resolution*

If a dispute arises out of or relates to this contract or engagement letter, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under the Dispute Resolution Rules for Professional Accounting and Related Services Disputes before resorting to arbitration, litigation, or some other dispute-resolution procedure. The costs of any mediation proceedings shall be shared equally by all parties.

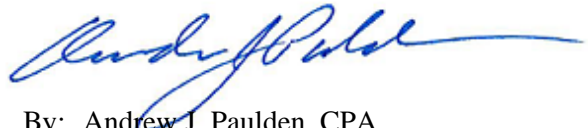
All disputes under this agreement shall be submitted to mediation. Each party shall designate an executive officer empowered to attempt to resolve the dispute. Should the designated representatives be unable to agree on a resolution, a competent and impartial third party acceptable to both parties shall be appointed to mediate. Each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. In the event that the dispute is required to be litigated, the court shall be authorized to assess litigation costs against any party found not to have participated in the mediation process in good faith.

### **Conclusion**

We appreciate the opportunity to be of service to Stanislaus County Employees' Retirement Association. Please date and sign the enclosed copy of this engagement letter and return it to us in the envelope provided to acknowledge your agreement with its terms. It is our policy to initiate services after we receive the signed copy of this engagement letter from you.

Sincerely,

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



By: Andrew J. Paulden, CPA  
Brown Armstrong  
Accountancy Corporation

AJP:alc:jav  
Enclosures

P:\Engagement\78460\GASB 68 Audit - 06/30/16 Measurement date\1200-2\StanCERA GASB 68 Engagement Letter

Accepted by:



Stanislaus County Employees' Retirement Association

Date:

7/20/16

## **ATTACHMENT 1**

### **Employers**

Stanislaus County

City of Ceres

Stanislaus Superior Court

Stanislaus County Council of Governments

East Side Mosquito Abatement District

Salida Sanitary District

Keyes Community Services District

Hills Ferry Cemetery District

BROWN  
ARMSTRONG

CERTIFIED  
PUBLIC  
ACCOUNTANTS

BROWN ARMSTRONG

*Certified Public Accountants*

To the Internal Governance Committee of  
Stanislaus County Employees' Retirement Association  
832 12th Street #600  
Modesto, California 95354

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300

BAKERSFIELD, CA 93309

TEL 661.324.4971

FAX 661.324.4997

EMAIL [info@bacpas.com](mailto:info@bacpas.com)

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PASADENA, CA 91101

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FAX 626.204.6547

**STOCKTON OFFICE**

5250 CLAREMONT AVENUE  
SUITE 150

STOCKTON, CA 95207

TEL 209.451.4833

We are engaged to audit the financial statements of Stanislaus County Employees' Retirement Association (StanCERA) for the year ended June 30, 2016. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

**Our Responsibilities under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated June 15, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of StanCERA. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of StanCERA's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Accounting principles generally accepted in the United States of America provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions, schedule of investment returns, and notes to required supplementary information, which supplement the basic financial statements, is to apply certain limited procedures in accordance with auditing standards generally accepted in the United States of America. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the schedule of administrative expenses and schedule of investment management fees and other investment expenses, which accompany the financial statements but are not RSI. Our responsibility for this other supplemental information, as described by professional standards, is to evaluate the presentation of the other supplemental information in relation to the financial statements as a whole and to report on whether the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the introductory section, investment section, actuarial section, and statistical section, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

**Planned Scope, Timing of the Audit, and Other**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the StanCERA and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to StanCERA or to acts by management or employees acting on behalf of the StanCERA. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on approximately August 1, 2016, and issue our report on approximately November 22, 2016. Andrew J. Paulden is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the Internal Governance Committee and management of StanCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
June 15, 2016

**Stanislaus County Employees Retirement Association**  
**Critical Dates List**  
**For the year ended June 30, 2016**

<i>Item</i>	<i>Due Dates</i>	<i>Status</i>
<b>PLANNING:</b>		
AUDITOR to provide StanCERA with Population request email	Monday, May 16, 2016	Completed
AUDITOR to provide Info Request email to StanCERA	Friday, May 27, 2016	Completed
Active, Retiree, Deferred, and Purchased Service Credit populations provided to AUDITOR for confirmation purposes	Wednesday, June 15, 2016	Completed
AUDITOR to provide StanCERA with samples for confirmation purposes	Friday, June 17, 2016	Completed
Active/Retired Participant, Actuary, and Employer payroll Confirmations returned to AUDITOR for mailing	Friday, June 24, 2016	Completed
StanCERA to provide AUDITOR with May 31, 2016 Preliminary Financials and trial balance	Friday, July 08, 2016	Completed
StanCERA to provide Custodian, Investment Managers, and all other confirmations (Except for Legal, Participant, Cash and Contributions) to AUDITOR for mailing	Friday, July 08, 2016	Completed
Participant confirmation responses due to AUDITOR, AUDITOR to send out second requests	Friday, July 22, 2016	Completed
Remaining participant populations due to AUDITOR (if any)	Monday, July 25, 2016	Completed
AUDITOR to meet with STANCERA's Internal Governance Committee - Entrance meeting between AUDITOR and STANCERA staff (at your discretion)	Monday, August 01, 2016 at 1:30pm	
<b>INTERIM FIELDWORK:</b>		
Beginning of interim audit fieldwork at StanCERA's office. Please provide space for three auditors	Monday, August 01, 2016	
Items on Interim Fieldwork Information Request Lists due	Monday, August 01, 2016	
StanCERA to provide confirmations to Auditor for Cash and Contributions	Monday, August 01, 2016	
Expected completion date of interim fieldwork, and exit conference with StanCERA Management	Friday, August 05, 2016	
<b>FINAL FIELDWORK PLANNING:</b>		
Confirm responses for all (Except Legal, Alternatives, Real Estate, Cash, Actuary and Contributions) due to AUDITOR. AUDITOR to send out second requests	Friday, August 12, 2016	
Confirm responses for Cash, Actuary, Contributions, Alternative and Real Estate investments due to AUDITOR. AUDITOR to send out second requests	Friday, August 19, 2016	
StanCERA to provide actuary with draft financial data for actuary report	Monday, August 22, 2016	
Items on Final Fieldwork Information Request Lists due. Begin audit work in BA offices.	Monday, August 22, 2016	
StanCERA to provide 6/30/2016 trial balance in electronic format - Preliminary 8/22	Thursday, August 25, 2016	
StanCERA to provide AUDITOR with draft Statement of Net Assets and Statement of Changes in Net Assets	Thursday, August 25, 2016	
StanCERA to provide responses to Investment Inquiries Memo	Thursday, August 25, 2016	
<b>FINAL FIELDWORK:</b>		
Beginning of final fieldwork at StanCERA's office. Please provide space for four auditors.	Monday, August 29, 2016	
StanCERA to provide responses to General Question Memo	Wednesday, August 31, 2016	
StanCERA to provide AUDITOR with legal confirmations for mailing/emailing	Thursday, September 01, 2016	
StanCERA to provide draft Financial Section to AUDITOR	Week of September 5th	
Expected completion date of fieldwork and exit conference with StanCERA management	Friday, September 16, 2016	

**AUDIT WRAP-UP & PRESENTATION:**

AUDITOR will provide all recommendations, revisions & suggestions for improvement to draft of Financial Section of CAFR

**Friday, September 23, 2016**

AUDITOR will provide Letter to Management in draft format

**Friday, September 23, 2016**

StanCERA to receive Actuary GASB 67/68 report for inclusion in the CAFR

**Week of September 26th**

StanCERA to provide AUDITOR with a complete draft of CAFR

**Friday, September 30, 2016**

StanCERA to provide AUDITOR with responses to findings included in Letter to Management

**Friday, September 30, 2016**

AUDIT Manager will provide all recommendations, revisions & suggestions for improvement to the CAFR

**Friday, October 07, 2016**

AUDITOR to provide StanCERA management with the following reports in draft format:

**Monday, October 10, 2016**

Independent Auditors Report

Report on Compliance and Internal Control

Internal Governance Committee Report (SAS 114 letter)

StanCERA to provide AUDITOR with complete revised draft of CAFR

**Friday, October 14, 2016**

StanCERA to provide AUDITOR with final revised CAFR. AUDITOR to submit for Partner/Cold review

**Friday, October 21, 2016**

StanCERA to provide approval of all AUDITOR reports

**Friday, October 21, 2016**

Legal confirmation responses due to AUDITOR

**Monday, October 24, 2016**

AUDITOR to provide StanCERA management with the Soft Copy of the following reports in final format:

**Friday, November 04, 2016**

Independent Auditors Report

Letter to Management

Report on Compliance and Internal Control

Internal Governance Committee Report (SAS 114 letter)

AUDITOR to provide StanCERA with "packets" of the above reports for Board meeting

**Wednesday, November 09, 2016**

AUDITOR presentation/delivery to StanCERA Internal Governance Committee

**Tuesday, November 15, 2016  
at 1:00pm**

Created: MYX 04/21/16

Approved by Client: 5/26/16

Revised: 6/17/16

Revised: 7/20/16

Revised: