

PARS: County of Contra Costa
First Quarter 2015

Presented by
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DISCUSSION HIGHLIGHTS

U.S. Economic and Market Overview

While U.S. economic growth moderated somewhat from previous levels, equity and fixed income markets continued to build on 2014's strong performance. The U.S. economy remained robust in comparison with the rest of the world and quantitative easing in Europe helped fuel asset price gains resulting in international equity returns outpacing domestic. The U.S. dollar continued to strengthen versus foreign currencies to the disappointment of domestic multi-national firms reliant on foreign earnings and oil prices fell a further 13% during the quarter to \$47.60, its lowest level in six years and down more than 50% since June of 2014.

GDP growth for 2014 was 2.4% despite contracting in the first quarter and expanding at a somewhat underwhelming 2.2% pace during the fourth quarter. Economic signals during 1Q15 have been somewhat mixed. First quarter 2015 retail sales disappointed which contributed to lowering our estimated Gross Domestic Product (GDP) from 3.00 to 2.25% on an annualized basis. Shoppers may well have stayed away from the mall in many snow-bound states during the quarter as they did in the first quarter of 2014 when GDP fell by 2.1% following poor weather only to rebound strongly for the balance of 2014.

Interest rates decreased across most maturities during the quarter with the 10-yr Treasury down 23 bps to finish at 1.94%. There was some significant rate volatility during the quarter with the 10-yr Treasury decreasing by 49 bps in January (the largest one-month drop since August 2011 during the budget uncertainty). Geopolitical turmoil in Yemen, Ukraine, Greece, and Russia continued to send assets seeking safe harbor to U.S. securities. Additionally, the European Central Bank's bond-buying program pushed already rock-bottom yields for European government bonds to near or below-zero levels, driving further demand for relatively higher-yielding U.S. Treasuries. Inflation also continues to remain benign.

Employment gains have been an ongoing strength for the U.S. economy until they hit a soft patch in March. March's nonfarm payroll gains of 126,000 was the first report that did not exceed 200,000 since February 2014. While many pundits were quick to point to inclement weather weighing on the gains, the slowdown was seen across most geographies in the U.S., including those that did not experience adverse weather. While one month's data does not make a trend, general demand growth has been tepid, and job growth, at least in March, matched those trends.

With some disappointing economic indicators over the first quarter of 2015 and stagnant global growth, the Federal Reserve may be less optimistic than before about the prospects for domestic growth in coming quarters. Despite generally healthy employment levels, the Fed is acutely concerned about softening inflation and even the risk of deflation that is threatening many developing economies.

Market overview/Performance Discussion

Total Plan

The County of Contra Costa OPEB Plan returned 2.70% net of investment fees, in the first quarter, which was in-line with the County's Plan benchmark return target of 2.67%. Positive contributors to performance during the quarter included Fixed Income, Large Cap Equity, Small Cap Equity, and Alternatives. Detractors to performance for the quarter included Mid-Cap Equity and REITs. International Equity fund returns

were mixed relative to their respective benchmarks, however the overweight to International acted as a positive contributor during the quarter; a slight overweight to Alternatives also helped the Plan's performance as Alternatives outpaced Fixed Income and were close to matching equity returns. International and Alternatives overweights helped offset the negative contribution from being underweight REITs.

Domestic Equity

All major equity indices across all capitalization levels and geographies were positive during the quarter. International developed led at +4.9% (MSCI EAFE) followed by Small Cap at +4.3% (Russell 2000), Mid-Cap +4.0% (Russell Mid Cap), Emerging Markets +2.2% (MSCI EM), and Large Cap +1.6% (Russell 1000). The U.S. stock market, as defined by the broad Wilshire 5000 Total Market Index, has not experienced a down quarter in almost 3 years and the S&P 500 is up 248% on a total return basis from the March 2009 lows.

Large Cap stocks, the strongest performer during 2014, took a bit of a pause during the quarter, and growth significantly outperformed value by 456 bps. Sector performance was mostly positive as 7 of the 10 sectors in the Russell 1000 ended the quarter in positive territory. Laggards included Financials (-0.9%), Energy (-2.3%), and Utilities (-5.1%). Energy is the only sector in the Russell 1000 with negative returns for the past 1-yr period and is now a significant laggard relative to other sectors on longer 3- and 5-yr periods.

Despite lagging international equities for the quarter, domestic equity valuations remain somewhat elevated. The S&P 500 has a forward P/E of 16.9x versus 15.5x a year ago, the 5-yr average of 13.6x, and the 20-yr average of 16.2x. Other valuation metrics are also incrementally higher versus historical averages: the dividend yield of 1.9% versus the 25-yr average of 2.1% and Price to Cash Flow of 11.8x versus the 25-yr average of 11.3x. Mid-Cap and Small Cap look similarly expensive versus history with Mid-Cap trading at 19.6x forward P/E (20-yr average of 16.6x) and Small Cap at 18.6x forward P/E (20-yr average of 17.4x).

- **The Plan's large-cap funds returned 2.09% in the quarter, which outperformed the Russell 1000 Index return of 1.59%.**
 - The Sentinel Common Stock Fund returned 1.37% in the quarter, which underperformed the benchmark. The Fund ranked in the 41st percentile of the Morningstar Large Cap Blend Universe.
 - The Columbia Contrarian Core Fund returned 1.20% in the quarter, which underperformed the benchmark. The Fund ranked in the 46th percentile of the Morningstar Large Cap Blend Universe.
 - The Harbor Capital Appreciation Fund returned 5.55% in the quarter, which outperformed the Russell 1000 Growth Index's return of 3.84%. The Fund ranked in the 12th percentile of the Morningstar Large Cap Growth Universe.
 - The T. Rowe Price Growth Stock Fund returned 6.04% in the quarter, which outperformed the Russell 1000 Growth Index. The Fund ranked in the 7th percentile of the Morningstar Large Cap Growth Universe.
 - The Dodge and Cox Stock Fund returned -1.19% in the quarter, which underperformed the Russell 1000 Value Index's return of -0.72%. The Fund ranked in the 90th percentile of the Morningstar Large Cap Value Universe.
 - The Loomis Sayles Value Fund posted a -0.38% return in the quarter, which outperformed the Russell 1000 Value Index. The Fund ranked in the 67th percentile of the Morningstar Large Cap Value Universe.
- **The mid-cap equity segment returned 3.67% in the quarter, which underperformed the Russell Mid-Cap Equity return of 3.95%.**
 - The TIAA-CREF Mid-Cap Value Fund returned 2.85% in the quarter, which outperformed the Russell Mid-Cap Value Index return of 2.42%. The Fund ranked in the 47th percentile of the Morningstar Mid-Cap Value Universe.

- The Ivy Mid Cap Growth Fund returned 3.99% in the first quarter, which underperformed the Russell Mid Cap Growth Index return of 5.38%. The Fund ranked in the 77th percentile of the Morningstar Mid-cap Growth Universe.
- **The small-cap equity segment returned 5.07% in the quarter, which outperformed the Russell 2000 Index return of 4.32%.**
 - The T. Rowe Price New Horizons Fund returned 6.40% in the quarter, and slightly underperformed the Russell 2000 Growth Index return of 6.63%. The Fund ranked in the 38th percentile of Morningstar's Small Cap Growth Universe.
 - The Columbia Small Cap Value Fund II returned 3.93% in the quarter, and outperformed the Russell 2000 Value Index's return of 1.98%. The Fund ranked in the 18th percentile of Morningstar's Small Cap Value Universe.

Real Estate

REITs began 2015 with a strong start posting +4.7% returns for the first quarter. That said, similar to fixed income, there was some noticeable volatility during the period. Rates fell during January which supported further appreciation in the price of REITs. Following the robust and positively surprising January jobs number (+257,000 jobs, the biggest increase since November 2008), market participants feared that this might represent a catalyst for the Fed to reduce its accommodative stance. As a result, the 10-yr Treasury widened from 1.73% at the end of January to 2.24% at the beginning of March. Fed posturing during the back-half of the quarter was somewhat dovish given the mixed economic data points that came in and, as a result, REITs resumed their march upward. Within REITs, self storage was one of the strongest performing areas, followed by manufactured housing and apartments. There has also been an increase in M&A in the space, with the failed take-over attempt of Macerich by Simon Property Group, the largest public REIT, garnering extensive attention.

- The Nuveen Real Estate Securities Fund returned 4.17% in the first quarter, which underperformed the Wilshire REIT Index return of 4.67%. The Fund placed in the 62nd percentile of the Morningstar Real Estate Manager's Universe.

Global/International Equity

Developed international equities posted the best relative returns during the quarter, potentially reversing a trend of the persistent and pervasive underperformance seen for several quarters. Much of this relative performance can be attributed to the European Central Bank's QE program, which plans to purchase \$60 billion worth of bonds each month until at least September 2016. This action was broadly anticipated, but the magnitude of the program surprised some investors. One of the largest impacts of this program that was substantially priced into the markets during 2014 was U.S. dollar strength/Euro weakness. While U.S. dollar strength continued during the quarter, it has also helped reignite Eurozone economies and stock markets with the MSCI Europe up ~17% for the quarter in local currency terms and 3.5% in U.S. dollars.

There were several additional data points that provided a positive backdrop to European stocks during the quarter: a European Commission survey that found economic sentiment in the 19-member Eurozone to be at its highest level in almost three years, purchasing managers surveys across the Eurozone at their highest levels since 2011, the highest consumer confidence readings since before the 2008 global financial crisis, lower borrowing costs for Eurozone companies to support expansion, and low oil prices and a strong U.S. dollar to support exports and profit margins.

Europe still faces significant hurdles, including high unemployment and dangerously low inflation, but the early signs of recovery are encouraging. European equities remain undervalued versus U.S. stocks even accounting for the recent bull market, particularly with U.S. earnings-per-share growth looking weak to possibly negative for the remainder of 2015.

Emerging markets also rose during 1Q15 particularly following the dovish comments from the Fed that they were not going to rush to raise rates. Several geopolitical and regional items also helped assist in the positive returns: a February deal to end the almost year-old Ukraine crisis had investors speculating that sanctions on Russia may be eased and several countries cut their interest rates during the quarter. That said, there was some mounting evidence of slowing growth in many countries. Brazil and Russia are expected to enter a recession if they are not already in one, and China lowered its official growth goal to 7% from 7.5%. U.S. dollar strength continues to contribute to losses in many countries where the currency weakened against the dollar. Lastly, the decline in leading indicators for global industrial production are factors which are often closely linked to emerging market equity performance, and, as a result, we have moved to slightly underweight Emerging Markets.

- **The Plan's international/global equity segment returned 3.62% in the quarter. This return underperformed the MSCI-EAFE Index 4.88%, but outperformed the MSCI-EM Index return of 2.24% and the MSCI-ACWI Index return of 2.31%.**
 - The Nationwide Balford International Equity Fund returned 4.49% in the quarter, and underperformed the MSCI-EAFE Index. The Fund ranked in the 62nd percentile of the Morningstar Foreign Large Blend Universe.
 - The Dodge & Cox International Stock Fund returned 4.20% in the quarter and underperformed the MSCI-EAFE Index. The Fund ranked in the 68th percentile of the Foreign Large Blend Universe as measured by Morningstar.
 - The MFS International Fund returned 5.11% in the quarter and underperformed the MSCI-EAFE Index. The Fund ranked in the 51st percentile for foreign large cap growth managers as measured by Morningstar.
 - The Templeton Global Opportunities Fund's return of 2.09% in the quarter underperformed the MSCI-ACWI benchmark return of 2.31%, and ranked in the 68th percentile of the Morningstar World Stock Index Universe. Three quarters of this position was sold during the quarter and the proceeds were used to fund positions in the iShares All Country World Index ETF (ACWI) and the American Funds New Perspective Fund – the remainder of the fund will be liquidated during the 2Q15 and a second mutual fund will be added:
 - The American Funds New Perspective Fund's return of 4.72% in the quarter outperformed the MSCI-ACWI benchmark and ranked in the 17th percentile of the Morningstar World Stock Index Universe.
 - The DJ Euro-Stoxx 50 ETF returned 4.53% in the quarter, which underperformed the MSCI-EAFE Index.
 - The Schroder Emerging Market Equity Fund returned 2.94% during the quarter and outperformed the MSCI-EM benchmark return of 2.24%. The Fund ranked in the 23rd percentile of the Morningstar Emerging Market Universe.

Fixed Income

The Barclays Capital U.S. Aggregate Bond Index returned 1.6% in the first quarter as U.S. Treasuries gained 1.5%, Investment-grade corporate bonds advanced 2.3%, and agency Mortgage-Backed Securities returned 1.1%. After adjusting for differences in maturity, Investment-grade corporates outgained Treasuries by 27 basis points while MBS underperformed Treasuries by –50 basis points. Interest rates continued to decline again this quarter, averaging –25 basis points in five-years and beyond, while the two-year yield ended only 11 basis points lower. As a result, longer duration issues outperformed, as the thirty-year returned 5.1% while the two-year gained 0.5%.

There was little differentiation among quality tiers this quarter as securities rated single A by Standard & Poor's fared the best, generating an excess return of +18 basis points, while Aa rated, and above securities lagged modestly at +8 basis points of outperformance. The best performing industries were Chemicals, Environmental, Integrated Energy, Refining and Airlines. Index laggards during the quarter were the Metals, Packaging, Cable Satellite and Oil Field Services and Food/Beverage sectors.

The quarter was characterized by noticeably higher volatility as conflict in the Middle East, the threat of Greece exiting the Euro, combined with declining commodity prices, harsh winter weather, and a labor slowdown at West Coast ports made it difficult to determine the true underlying strength of the economy. While expectations for a rise in the fed funds rate have steadily increased as the unemployment rate has decreased, the Fed's decision regarding interest rates remains data dependent, and the timing uncertain. The Fed is committed to moving the funds rate off the zero interest rate bound out of concern that the unconventional policy has reached the point of diminishing returns and now may be more detrimental than beneficial. Unfortunately for the Fed, however, the robust job market seems to be outpacing growth in the underlying economy. Strong job growth in manufacturing, residential construction, and retail sales, seems inconsistent with the recent slower growth rates in those industries. In addition, company revenue and earnings forecasts, commodity prices, and inflation are slowing, all of which cast some doubt on the true strength of the job market. As a result, the Fed is approaching any interest rate moves with great caution, and at the recent meeting in March lowered their year-end forecast for fed funds to 0.6% from 1.1%. In Europe slower growth and lower inflation finally elicited a response from the European Central Bank in January as they announced a massive bond purchasing program comparable in size to the U.S. effort. As a result of the ECB's fight against deflation, almost a third of the euro area's \$6.3 trillion of government bond yields are now below zero.

Low-to-negative yields in Europe and Japan have resulted in some reallocation internationally to the U.S. where yields remain relatively high, contributing to the downward pressure on yields here. At the current spread of +136 bp, investment-grade corporate bonds continue to offer a significant yield advantage over Treasuries and remain relatively attractive. As a result, we continue to overweight high-quality corporate bonds, including domestic banks which appear attractive based on current valuations and an improvement in fundamental credit quality. Although bank quality ratings are mostly lower than before the financial crisis, bank financial strength is generally much improved. Higher capital requirements, regulatory stress tests, and constraints on capital allocation have lowered the risks to bank bondholders, particularly at the senior debt level. We are also overweight the Energy sector where spreads are wide for obvious reasons. However, we hold only the highest quality names in this depressed sector, as we expect more volatility and a prolonged period of weak oil prices. Finally, the portfolio duration remains slightly shorter than the market, given the range of possible outcomes for interest rates.

- **The Plan's fixed income segment returned 1.90% in the quarter, which outperformed the Barclays Aggregate return of 1.61%.**
 - The separately managed fixed income portfolio returned 1.85% which outperformed the benchmark. The portfolio would have ranked approximately in the 20th percentile of the Morningstar Intermediate Term Bond Universe.
 - The PIMCO Total Return Bond Fund returned 2.22% in the quarter, and outperformed the BC Aggregate Index. The Fund ranked in the 5th percentile of Morningstar's Intermediate-Term Bond Universe.
 - The PIMCO High Yield Bond Fund returned 2.46% in the quarter, and underperformed the Merrill Lynch US High Yield BB-B Index return of 2.67%. The Fund ranked in the 34th percentile of Morningstar's High Yield Universe.

Alternative Investments

Alternatives posted another strong quarter, with the HFRI FOF Market Defensive Index returning 2.37%. Alternative asset returns were relatively muted, with the notable exception of the AQR Managed Futures Fund up 8.56% following its 4Q14 return of up 9.79%. The Managed Futures fund was able to take advantage of strong market trends during the quarter in currencies, commodities, and fixed income. Eaton Vance Global Macro Absolute Return Fund also had a strong quarter returning 1.89%. The Arbitrage Fund's return of 1.15% was relatively in-line with longer-term expectations for the asset class while the JPMorgan Research Market Neutral Fund's return of -1.03% was disappointing. It is again worth noting that the Plan's alternative assets outperformed the Plan's fixed income sleeve which has been positioned defensively for a rise in interest rates; our expectation is that the Plan's alternative assets should outperform the Plan's fixed income investments when rates do eventually rise.

- **The alternative investment segment returned 3.32% in the first quarter, which exceeded the Hedge Fund Research Institute Market Defensive Index return of 2.37%.**
 - The Arbitrage Fund returned 1.15% in the quarter which ranked in the 24th percentile of Morningstar's Market Neutral Universe.
 - The JPMorgan Research Market Neutral Fund returned -1.03%, which placed the Fund in the 69th percentile of the Morningstar Market Neutral Universe.
 - The Eaton Vance Global Macro Absolute Return Fund posted a 1.89% return, which placed in the 14th percentile of the Morningstar Non-Traditional Bond Universe.
 - The AQR Managed Futures Fund's return of 8.56% ranked in the 23rd percentile of Morningstar's Managed Futures Fund Universe.

Asset Allocation/Portfolio Transitions

During the quarter several changes were made to the portfolio. Most notably, passive ETFs were added to each major equity asset class in an effort to reduce tracking error to the Plan's benchmark:

- 5.0% of the Large Cap allocation is now in the iShares Russell 1000 ETF
- 1.5% of the Mid-Cap allocation is now in the iShares Russell Mid-Cap ETF
- 3.0% of the Small Cap allocation is now in the iShares Russell 2000 ETF
- 2.0% of the International allocation is now in the iShares MSCI EAFE Index ETF
- 3.5% of the Global allocation is now in the iShares MSCI ACWI Index ETF

INVESTMENT STRATEGY

As of March 31, 2015

Tactical Asset Allocation

| <u>Asset Class</u> | <u>% Portfolio Weighting</u> | | | <u>Rationale</u> |
|----------------------------------|------------------------------|--------------------------|-----------------------------|--|
| | <u>Target</u> | <u>Current Portfolio</u> | <u>Over/Under Weighting</u> | |
| Cash | 1.0% | 1.1% | 0.1% | |
| Fixed Income | 38.0% | 37.3% | -0.7% | <ul style="list-style-type: none"> Fixed income is currently underweight versus the target allocation given our expectations for an increase in interest rates. While the magnitude and timing of a rate hike is in question given some of the recent softness in economic numbers, it is broadly expected that the Fed will remove its zero interest rate policy during the next several quarters. As such, within the fixed income allocation, the investments are positioned somewhat defensively with an overweight to shorter-duration bonds. |
| High Yield | 0.0% | 1.5% | 1.5% | <ul style="list-style-type: none"> With spreads widening in the high yield sector, we re-established a modest position in high yield during the 4Q14 and continue to maintain that position. |
| Alternatives | 10.0% | 12.1% | 2.1% | <ul style="list-style-type: none"> Alternatives remain overweight and have recently been outpacing fixed income returns, a trend that we expect will continue over longer time periods in conjunction with an eventual rise in interest rates. |
| Real Estate (REITS) | 4.0% | 2.0% | -2.0% | <ul style="list-style-type: none"> We continue to remain underweight REITs given our concerns about valuation and the anticipated impact of a rising interest rate environment on the asset class. REITs produced another strong, yet volatile, quarter on the back of returning over 30% in 2014 which has resulted in the asset class trading at further extended valuation levels. |
| Global Equity | 7.0% | 6.8% | -0.2% | <ul style="list-style-type: none"> Global equities continue to trade at reasonable valuation levels and have benefited from a rebound in international equities after a difficult 2014. Recent changes to the portfolio's investments included adding a new manager in this space. |
| International (Developed) | 9.0% | 9.9% | 0.9% | <ul style="list-style-type: none"> We remain overweight international developed equities which was a positive contributor to the Plan's performance during the quarter. The ECB's quantitative easing program that was announced during the quarter was well telegraphed, but the size of the program was larger than expected. Attractive valuations in Europe, coupled with the ECB's actions helped place a firm bid on European equities resulting in developed international outpacing all other equities during the quarter. Despite the outperformance, valuations remain relatively attractive especially if an earnings recovery materializes, with the MSCI EAFE trading at 16.0X forward PE and the MSCI Europe Index trading at a 16.3X forward PE level. |

INVESTMENT STRATEGY

As of March 31, 2015

Tactical Asset Allocation

| <u>Asset Class</u> | <u>% Portfolio Weighting</u> | | | <u>Rationale</u> |
|---------------------------------|------------------------------|--------------------------|-----------------------------|--|
| | <u>Target</u> | <u>Current Portfolio</u> | <u>Over/Under Weighting</u> | |
| International (Emerging) | 0.0% | 1.0% | 1.0% | <ul style="list-style-type: none"> We reduced our overall allocation to emerging markets by 0.5% during the quarter, but continue to maintain a 1.0% weight. With global growth uncertainty, coupled with ongoing currency headwinds given the U.S. dollar's strength, we are cautious on the asset class. However, with the MSCI-Emerging Market Index trading at an 11.9X forward PE level, it remains attractive relative to other areas of the market. |
| Total Domestic Equity | 31.0% | 29.8% | -1.2% | |
| Large Cap | 17.0% | 17.8% | 0.8% | <ul style="list-style-type: none"> We maintain our overweight to large cap equities. At a 16.9X forward PE level, valuations remain attractive on a relative basis to mid- and small-cap domestic equities. |
| Mid Cap | 6.0% | 4.0% | -2.0% | |
| Small Cap | 8.0% | 8.0% | 0.0% | <ul style="list-style-type: none"> We maintained a neutral allocation to small cap (we had been underweight during 2014 until 4Q14 when the allocation was neutralized; small caps strongly underperformed during 2014) which was a positive contributor to performance; small caps were the best performing area of domestic equities during the quarter. Valuations, at a 18.6X forward PE ratio, remain elevated, but are somewhat near historical averages (20-yr average PE of 17.4X). |

Asset Allocation

Period Ending March 31, 2015

| Asset Allocation | 12/31/2014 Market Value | 12/31/2014 % of Total | 3/31/2015 Market Value | 3/31/2015 % of Total | Target Allocation |
|---------------------------------------|----------------------------|--------------------------|---------------------------|------------------------------|------------------------|
| Large Cap Equities | | | | | |
| Columbia Contrarian Core Z | 7,664,736 | 5.0% | 5,690,921 | 3.5% | - |
| Sentinel Common Stock I | 4,584,860 | 3.0% | 2,454,969 | 1.5% | - |
| iShares Russell 1000 ETF | - | 0.0% | 8,139,158 | 5.0% | - |
| Dodge & Cox Stock Fund | 3,083,467 | 2.0% | 3,245,715 | 2.0% | - |
| Loomis Sayles Value Fund | 5,385,449 | 3.5% | 3,248,511 | 2.0% | - |
| Harbor Capital Appreciation Instl | 4,199,167 | 2.7% | 3,240,646 | 2.0% | - |
| T. Rowe Price Growth Stock Fund | 4,238,760 | 2.7% | 3,238,824 | 2.0% | - |
| Total Large Cap Equities | 29,156,438 | 18.8% | 29,258,743 | 17.8% <i>Range</i> | 17.0% 13-32% |
| Mid Cap Equities | | | | | |
| iShares Russell Mid-Cap ETF | - | 0.0% | 2,458,304 | 1.5% | - |
| TIAA-CREF Mid-Cap Value Instl | 3,111,006 | 2.0% | 2,039,825 | 1.2% | - |
| Ivy Mid Cap Growth Fund I | 3,086,702 | 2.0% | 2,045,162 | 1.2% | - |
| Total Mid Cap Equities | 6,197,707 | 4.0% | 6,543,291 | 4.0% <i>Range</i> | 6.0% 2-10% |
| Small Cap Equities | | | | | |
| iShares Russell 2000 ETF | - | 0.0% | 4,914,854 | 3.0% | - |
| Columbia Small Cap Value Fund II | 6,233,931 | 4.0% | 4,121,907 | 2.5% | - |
| T. Rowe Price New Horizons Fund | 6,172,512 | 4.0% | 4,121,928 | 2.5% | - |
| Total Small Cap Equities | \$ 12,406,443 | 8.0% | \$ 13,158,689 | 8.0% <i>Range</i> | 8.0% 4-12% |
| International | | | | | |
| Nationwide Baidard Intl Equities Fund | 4,592,308 | 3.0% | 3,230,298 | 2.0% | - |
| iShares MSCI EAFE Index Fund | - | 0.0% | 3,219,858 | 2.0% | - |
| Dodge & Cox International Stock Fund | 5,080,857 | 3.3% | 3,231,242 | 2.0% | - |
| MFS International Growth Fund | 3,444,044 | 2.2% | 3,246,942 | 2.0% | - |
| Schroder Emerging Market Equity | 2,317,803 | 1.5% | 1,641,132 | 1.0% | - |
| SPDR EURO STOXX 50 ETF | 2,277,948 | 1.5% | 3,234,405 | 2.0% | - |
| Total International | \$ 17,712,960 | 11.4% | \$ 17,803,877 | 10.9% <i>Range</i> | 9.0% 4-16% |
| Global | | | | | |
| MSCI iShares ACWI Index ETF | - | 0.0% | 5,691,997 | 3.5% | - |
| American Funds New Perspective F2 | - | 100.0% | 2,771,721 | 1.7% | - |
| Templeton Global Opportunities A LW | 10,780,958 | 7.0% | 2,712,384 | 1.7% | - |
| Total Global | \$ 10,780,958 | 7.0% | \$ 11,176,101 | 6.8% <i>Range</i> | 7.0% 4-12% |

| Asset Allocation | 12/31/2014 Market Value | 12/31/2014 % of Total | 3/31/2015 Market Value | 3/31/2015 % of Total | Target Allocation |
|-------------------------------------|----------------------------|--------------------------|---------------------------|-------------------------|----------------------|
| Real Estate | | | | | |
| Nuveen Real Estate Secs I Fund | 3,062,198 | 2.0% | 3,218,973 | 2.0% | - |
| Total Real Estate | \$ 3,062,198 | 2.0% | \$ 3,218,973 | 2.0% | 4.0% |
| | | | | <i>Range</i> | <i>0-8%</i> |
| Fixed Income | | | | | |
| Core Fixed Income Holdings | 48,951,347 | 31.6% | 50,342,031 | 30.7% | - |
| PIMCO Total Return Instl Fund | 5,939,841 | 3.8% | 8,293,322 | 5.1% | - |
| PIMCO High Yield Instl | 1,552,903 | 1.0% | 2,501,421 | 1.5% | - |
| Total Fixed Income | \$ 56,444,090 | 36.5% | \$ 61,136,774 | 37.3% | 38.0% |
| | | | | <i>Range</i> | <i>30-50%</i> |
| Alternatives | | | | | |
| AQR Managed Futures I | 5,952,207 | 3.8% | 5,872,866 | 3.6% | - |
| Arbitrage I | 3,883,214 | 2.5% | 4,965,690 | 3.0% | - |
| Eaton Vance Gbl Macro Abs Ret I | 5,405,203 | 3.5% | 5,401,359 | 3.3% | - |
| JP Morgan Research Market Neutral I | 2,322,926 | 1.5% | 3,694,648 | 2.3% | - |
| Total Alternatives | \$ 17,563,550 | 11.3% | \$ 19,934,563 | 12.1% | 10.0% |
| | | | | <i>Range</i> | <i>5-20%</i> |
| Cash | | | | | |
| Money Market | 1,514,319 | 1.0% | 1,850,594 | 1.1% | - |
| Total Cash | \$ 1,514,319 | 1.0% | \$ 1,850,594 | 1.1% | 1.0% |
| | | | | <i>Range</i> | <i>0-5%</i> |
| TOTAL | \$ 154,838,664 | 100.0% | \$ 164,081,606 | 100.0% | 100.0% |

Investment Summary Period Ending March 31, 2015

| Investment Summary | First Quarter | Year to Date |
|-------------------------------|--------------------------|--------------------------|
| Beginning Value | \$ 155,218,379.57 | \$ 155,218,379.57 |
| Net Contributions/Withdrawals | 4,846,533.32 | 4,846,533.32 |
| Fees Deducted | -42,735.07 | -42,735.07 |
| Income Received | 618,576.17 | 618,576.17 |
| Market Appreciation | 3,820,541.92 | 3,820,541.92 |
| Net Change in Accrued Income | -61,878.97 | -61,878.97 |
| Ending Market Value* | \$ 164,399,416.94 | \$ 164,399,416.94 |

*Ending Market Value differs from total market value on the previous page due to differences in reporting methodology. The above ending market value is reported as of trade date and includes accruals. The Asset Allocation total market value is reported as of settlement date.

Selected Period Performance
PARS/COUNTY OF CONTRA COSTA PRHCP
Account 6746038001
Period Ending: 03/31/2015

| Sector | 3 Months | 1 Year | 2 Years | 3 Years | Inception to Date (50 Months) |
|--|----------|--------|---------|---------|-------------------------------------|
| Cash Equivalents | .00 | .02 | .02 | .02 | .02 |
| <i>iMoneyNet, Inc. Taxable</i> | .00 | .01 | .01 | .02 | .02 |
| Fixed Income ex Funds | 1.85 | 5.01 | 2.47 | 3.16 | 4.52 |
| Total Fixed Income | 1.90 | 5.02 | 2.46 | 3.53 | 4.63 |
| <i>BC US Aggregate Bd Index</i> | 1.61 | 5.72 | 2.77 | 3.10 | 4.14 |
| Total Equities | 3.37 | 6.80 | 12.95 | 12.70 | 10.47 |
| Large Cap Funds | 2.09 | 11.18 | 17.12 | 16.12 | 13.04 |
| <i>Russell 1000 Index</i> | 1.59 | 12.73 | 17.47 | 16.45 | 14.64 |
| Mid Cap Funds | 3.67 | 12.15 | 15.75 | 14.76 | 12.49 |
| <i>Russell Midcap Index</i> | 3.95 | 13.68 | 18.50 | 18.10 | 15.05 |
| Small Cap Funds | 5.07 | 8.55 | 18.49 | 17.54 | 14.73 |
| <i>Russell 2000 Index</i> | 4.32 | 8.21 | 16.26 | 16.27 | 13.55 |
| REIT Funds | 3.61 | 23.78 | 13.63 | 13.81 | 13.08 |
| <i>Wilshire REIT Index</i> | 4.67 | 25.25 | 14.36 | 14.25 | 14.27 |
| International Equities | 3.62 | -1.11 | 7.53 | 8.20 | 5.14 |
| <i>MSCI EAFE Index</i> | 4.88 | -.92 | 7.92 | 9.02 | 5.16 |
| <i>MSCI EM Free Index</i> | 2.24 | .44 | -.50 | .31 | -.84 |
| <i>MSCI AC World Index</i> | 2.31 | 5.42 | 10.85 | 10.75 | 8.15 |
| Alternatives | 3.32 | 10.64 | | | |
| <i>HFRI FOF Market Defensive Index</i> | 2.37 | 10.34 | 3.88 | 2.26 | .27 |
| Total Managed Portfolio | 2.72 | 6.39 | 7.74 | 8.13 | 7.24 |
| Total Account Net of Fees | 2.70 | 6.27 | 7.61 | 8.00 | 7.10 |
| <i>County of Contra Costa*</i> | 2.67 | 7.87 | 8.62 | 8.83 | 8.10 |

Inception Date: 02/01/2011

* Benchmark from February 1, 2011 to June 30, 2013: 18% Russell 1000 Index, 6% Russell Midcap Index, 8% Russell 2000 Index, 8% MSCI AC World ex US Index, 10% MSCI EAFE Index, 45% Barclays Aggregate Index, 4% DJ Wilshire REIT Index, 1% Citigroup 3 Month T-Bill Index. From July 1, 2013: 17% Russell 1000 Index, 6% Russell Midcap Index, 8% Russell 2000 Index, 7% MSCI AC World ex US Index, 9% MSCI EAFE Index, 38% Barclays Aggregate Index, 4% DJ Wilshire REIT Index, 10% HFRI Fund of Funds Market Defensive Index, 1% Citigroup 3 Month T-Bill Index

Returns are gross-of-fees unless otherwise noted. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

COUNTY OF CONTRA COSTA

For Period Ending March 31, 2015

| LARGE CAP EQUITY FUNDS | | | | | | | | | | | |
|------------------------------------|-----------|-------------------|-----------|---------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|
| Fund Name | Inception | 3-Month Return | Rank | YTD Return | Rank | 1-Year Return | Rank | 3-Year Return | Rank | 5-Year Return | Rank |
| Sentinel Common Stock I | (7/13) | 1.37 | 41 | 1.37 | 41 | 10.68 | 54 | 14.69 | 58 | 13.43 | 44 |
| Columbia Contrarian Core Z | (7/13) | 1.20 | 46 | 1.20 | 46 | 13.12 | 16 | 17.12 | 14 | 14.94 | 10 |
| T. Rowe Price Equity Income | | 6.04 | 7 | 6.04 | 7 | 16.85 | 19 | 17.05 | 16 | 16.23 | 9 |
| Harbor Capital Appreciation Instl | | 5.55 | 12 | 5.55 | 12 | 16.18 | 23 | 15.78 | 36 | 15.08 | 25 |
| Loomis Sayles Value Fund | (7/11) | -0.38 | 67 | -0.38 | 67 | 7.68 | 57 | 16.88 | 9 | 12.98 | 33 |
| Dodge & Cox Stock | (10/14) | -1.19 | 90 | -1.19 | 90 | 6.50 | 75 | 18.20 | 3 | 13.81 | 14 |
| iShares Russell 1000 | (3/15) | 1.56 | 36 | 1.56 | 36 | 12.59 | 32 | 16.30 | 26 | 14.58 | 25 |
| Idx: Russell 1000 | | 1.59 | -- | 1.59 | -- | 12.73 | -- | 16.45 | -- | 14.73 | -- |
| MID CAP EQUITY FUNDS | | | | | | | | | | | |
| TIAA-CREF Mid-Cap Value Instl | | 2.85 | 47 | 2.85 | 47 | 11.47 | 23 | 16.95 | 47 | 14.69 | 32 |
| Idx: Russell Mid Cap Value | | 2.42 | -- | 2.42 | -- | 11.70 | -- | 18.60 | -- | 15.84 | -- |
| iShares Russell Mid-Cap | (3/15) | 3.92 | 50 | 3.92 | 50 | 13.51 | 17 | 17.91 | 34 | 15.98 | 34 |
| Ivy Mid Cap Growth I | (5/14) | 3.99 | 77 | 3.99 | 77 | 11.09 | 56 | 13.62 | 68 | 15.21 | 37 |
| Idx: Russell Mid Cap Growth | | 5.38 | -- | 5.38 | -- | 15.56 | -- | 17.41 | -- | 16.43 | -- |
| SMALL CAP EQUITY FUNDS | | | | | | | | | | | |
| Columbia Small Cap Value II Z | | 3.93 | 18 | 3.93 | 18 | 6.36 | 33 | 16.06 | 23 | 14.68 | 14 |
| Idx: Russell 2000 Value | | 1.98 | -- | 1.98 | -- | 4.43 | -- | 14.79 | -- | 12.54 | -- |
| iShares Russell 2000 | (3/15) | 4.33 | 17 | 4.33 | 17 | 8.29 | 52 | 16.32 | 69 | 14.58 | 69 |
| T. Rowe Price New Horizons | | 6.40 | 38 | 6.40 | 38 | 10.99 | 27 | 19.03 | 7 | 20.72 | 1 |
| Idx: Russell 2000 Growth | | 6.63 | -- | 6.63 | -- | 12.06 | -- | 17.74 | -- | 16.58 | -- |
| INTERNATIONAL EQUITY FUNDS | | | | | | | | | | | |
| Dodge & Cox International Stock | | 4.20 | 68 | 4.20 | 68 | 1.48 | 21 | 12.25 | 5 | 7.99 | 9 |
| Nationwide Baidard Intl Eqs InSvc | | 4.49 | 62 | 4.49 | 62 | 1.01 | 25 | 10.15 | 16 | 7.08 | 17 |
| MFS International Growth I | | 5.11 | 51 | 5.11 | 51 | 0.68 | 55 | 5.87 | 83 | 6.63 | 54 |
| iShares MSCI EAFE | | 4.85 | 34 | 4.85 | 34 | -1.05 | 50 | 8.92 | 23 | 6.05 | 29 |
| iShares MSCI ACWI | (3/15) | 2.60 | 27 | 2.60 | 27 | 5.56 | 30 | 10.78 | 46 | 8.98 | 29 |
| American Funds New Perspective F2 | (3/15) | 4.72 | 17 | 4.72 | 17 | 8.00 | 18 | 13.58 | 15 | 11.24 | 20 |
| Templeton Global Opportunities ALW | | 2.09 | 68 | 2.09 | 68 | -3.38 | 93 | 10.20 | 62 | 7.14 | 84 |
| Idx: MSCI EAFE | | 4.88 | -- | 4.88 | -- | -0.92 | -- | 9.02 | -- | 6.16 | -- |
| Idx: MSCI ACWI | | 2.31 | -- | 2.31 | -- | 5.42 | -- | 10.75 | -- | 8.99 | -- |
| Schroder Emerging Market Equity | (11/12) | 2.94 | 23 | 2.94 | 23 | 0.84 | 33 | 0.88 | 41 | 1.81 | 42 |
| Idx: MSCI Emerging Markets | | 2.24 | -- | 2.24 | -- | 0.44 | -- | 0.31 | -- | 1.75 | -- |
| SPDR EURO STOXX 50 ETF | (6/14) | 4.53 | 50 | 4.53 | 50 | -6.12 | 64 | 10.12 | 45 | 3.69 | 100 |

COUNTY OF CONTRA COSTA

| REIT EQUITY FUNDS | | | | | | | | | | | |
|--|-----------|-------------------|-----------|---------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|
| Fund Name | Inception | 3-Month Return | Rank | YTD Return | Rank | 1-Year Return | Rank | 3-Year Return | Rank | 5-Year Return | Rank |
| Nuveen Real Estate Secs Y | | 4.17 | 62 | 4.17 | 62 | 23.75 | 49 | 13.97 | 18 | 15.85 | 17 |
| Idx: Wilshire REIT | | 4.67 | -- | 4.67 | -- | 25.25 | -- | 14.25 | -- | 16.14 | -- |
| BOND FUNDS | | | | | | | | | | | |
| Fixed Income Portfolio | | 1.85 | 20 | 1.85 | 20 | 5.01 | 50 | 3.16 | 60 | -- | -- |
| Pimco Total Return Inst'l | | 2.22 | 5 | 2.22 | 5 | 5.64 | 22 | 4.03 | 27 | 4.98 | 35 |
| Idx: BarCap US Aggregate Bond | | 1.61 | -- | 1.61 | -- | 5.72 | -- | 3.10 | -- | 4.41 | -- |
| PIMCO High Yield Instl | (11/14) | 2.46 | 34 | 2.46 | 34 | 3.06 | 11 | 6.86 | 34 | 7.72 | 40 |
| Idx: Merrill Lynch US High Yield BB-B | | 2.67 | -- | 2.67 | -- | 4.85 | -- | 7.87 | -- | 8.69 | -- |
| ALTERNATIVE FUNDS | | | | | | | | | | | |
| Arbitrage I | (7/13) | 1.15 | 24 | 1.15 | 24 | 3.37 | 23 | 1.21 | 53 | 1.81 | 40 |
| AQR Managed Futures | (7/13) | 8.56 | 23 | 8.56 | 23 | 26.74 | 21 | 10.56 | 5 | 5.97 | 1 |
| Eaton Vance Gbl Macro Abs Ret | (7/13) | 1.89 | 14 | 1.89 | 14 | 4.90 | 8 | 2.11 | 63 | 2.23 | 62 |
| JPMorgan Research Market Neutral Instl | (7/13) | -1.03 | 69 | -1.03 | 69 | 1.72 | 38 | 1.81 | 41 | 0.08 | 65 |
| Idx: HFRI Fund of Funds Market Def | | 2.37 | -- | 2.37 | -- | 10.34 | -- | 2.26 | -- | 1.16 | -- |

Data Source: Morningstar, SEI Investments

Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources believed accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

COUNTY OF CONTRA COSTA

For Period Ending December 31, 2014

| LARGE CAP EQUITY FUNDS | | | | | | | | | | | |
|------------------------------------|-----------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| Fund Name | Inception | 2014 Return | 2014 Rank | 2013 Return | 2013 Rank | 2012 Return | 2012 Rank | 2011 Return | 2011 Rank | 2010 Return | 2010 Rank |
| Sentinel Common Stock I | (7/13) | 10.62 | 63 | 31.04 | 61 | 14.92 | 57 | 1.79 | 21 | 14.90 | 31 |
| Columbia Contrarian Core Z | (7/13) | 12.92 | 31 | 35.73 | 17 | 18.67 | 10 | -0.93 | 52 | 16.21 | 17 |
| T. Rowe Price Equity Income | | 8.83 | 65 | 39.20 | 12 | 18.92 | 14 | -0.97 | 39 | 16.93 | 35 |
| Harbor Capital Appreciation Instl | | 9.93 | 53 | 37.66 | 17 | 15.69 | 43 | 0.61 | 24 | 11.61 | 82 |
| Loomis Sayles Value Fund | (7/11) | 10.76 | 48 | 35.54 | 14 | 19.70 | 4 | -2.81 | 66 | 11.94 | 72 |
| Dodge & Cox Stock | (10/14) | 10.40 | 54 | 40.55 | 2 | 22.01 | 2 | -4.08 | 74 | 13.49 | 47 |
| Idx: Russell 1000 | | 13.24 | -- | 33.11 | -- | 16.42 | -- | 1.50 | -- | 16.10 | -- |
| MID CAP EQUITY FUNDS | | | | | | | | | | | |
| TIAA-CREF Mid-Cap Value Instl | | 12.85 | 19 | 32.55 | 71 | 16.60 | 48 | -2.17 | 34 | 21.20 | 59 |
| Idx: Russell Mid Cap Value | | 14.75 | -- | 33.46 | -- | 18.51 | -- | -1.38 | -- | 24.75 | -- |
| Ivy Mid Cap Growth I | (5/14) | 8.20 | 38 | 30.12 | 84 | 13.45 | 58 | -0.31 | 24 | 30.38 | 13 |
| Idx: Russell Mid Cap Growth | | 11.90 | -- | 35.74 | -- | 15.81 | -- | -1.65 | -- | 26.38 | -- |
| SMALL CAP EQUITY FUNDS | | | | | | | | | | | |
| Columbia Small Cap Value II Z | | 4.61 | 42 | 40.14 | 20 | 14.57 | 61 | -2.39 | 30 | 25.64 | 52 |
| Idx: Russell 2000 Value | | 4.22 | -- | 34.52 | -- | 18.05 | -- | -5.50 | -- | 24.50 | -- |
| T. Rowe Price New Horizons | | 6.10 | 19 | 49.11 | 10 | 16.20 | 22 | 6.63 | 2 | 34.67 | 12 |
| Idx: Russell 2000 Growth | | 5.60 | -- | 43.30 | -- | 14.59 | -- | -2.91 | -- | 29.09 | -- |
| INTERNATIONAL EQUITY FUNDS | | | | | | | | | | | |
| Dodge & Cox International Stock | | 0.08 | 9 | 26.31 | 8 | 21.03 | 16 | -15.97 | 81 | 13.69 | 6 |
| Nationwide Bailard Intl Eqs InSvc | | -1.94 | 15 | 21.68 | 28 | 20.87 | 17 | -15.58 | 74 | 11.85 | 32 |
| MFS International Growth I | | -5.10 | 58 | 13.84 | 79 | 19.71 | 31 | -10.62 | 40 | 15.24 | 35 |
| Templeton Global Opportunities ALW | | -4.06 | 93 | 25.75 | 48 | 22.27 | 7 | -10.48 | 69 | 5.20 | 95 |
| Idx: MSCI EAFE | | -4.90 | -- | 22.78 | -- | 17.32 | -- | -12.14 | -- | 7.75 | -- |
| Idx: MSCI ACWI | | 4.16 | -- | 22.80 | -- | 16.13 | -- | -7.35 | -- | 12.67 | -- |
| Schroder Emerging Market Equity | (11/12) | -4.61 | 70 | -2.28 | 54 | 21.73 | 19 | -16.70 | 20 | 13.49 | 92 |
| Idx: MSCI Emerging Markets | | -2.19 | -- | -2.60 | -- | 18.22 | -- | -16.15 | -- | -- | -- |
| SPDR EURO STOXX 50 ETF | (6/14) | -8.36 | 73 | 27.43 | 34 | 20.48 | 55 | -16.42 | 48 | -8.94 | 95 |
| REIT EQUITY FUNDS | | | | | | | | | | | |
| Nuveen Real Estate Secs Y | | 31.28 | 17 | 1.32 | 58 | 18.34 | 22 | 7.96 | 50 | 30.57 | 12 |
| Idx: Wilshire REIT | | 31.78 | -- | 1.86 | -- | 17.59 | -- | 5.52 | -- | -- | -- |

COUNTY OF CONTRA COSTA

| BOND FUNDS | | | | | | | | | | | |
|--|-----------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| Fund Name | Inception | 2014 Return | 2014 Rank | 2013 Return | 2013 Rank | 2012 Return | 2012 Rank | 2011 Return | 2011 Rank | 2010 Return | 2010 Rank |
| Fixed Income Portfolio | | 4.74 | 69 | -1.40 | 41 | 5.42 | 69 | 8.41 | 5 | -- | -- |
| Pimco Total Return Instl | | 4.69 | 71 | -1.92 | 60 | 10.36 | 12 | 4.16 | 87 | 8.83 | 26 |
| Idx: BarCap US Aggregate Bond | | 5.97 | -- | -2.02 | -- | 4.21 | -- | 7.84 | -- | 6.54 | -- |
| PIMCO High Yield Instl | (11/14) | 3.31 | 13 | 5.77 | 68 | 14.55 | 52 | 4.00 | 38 | 14.24 | 45 |
| Idx: Merrill Lynch US High Yield BB-B | | 3.49 | -- | 6.31 | -- | 14.59 | -- | 5.39 | -- | 14.26 | -- |
| ALTERNATIVE FUNDS | | | | | | | | | | | |
| Arbitrage I | (7/13) | 1.64 | 39 | 1.15 | 67 | 0.44 | 48 | 4.74 | 20 | 1.76 | 16 |
| AQR Managed Futures | (7/13) | 9.69 | 40 | 9.40 | 6 | 2.99 | 5 | -6.37 | 29 | 0.00 | 0 |
| Eaton Vance Gbl Macro Abs Ret | (7/13) | 3.03 | 18 | -0.24 | 58 | 4.11 | 79 | -0.39 | 44 | 4.75 | 61 |
| JPMorgan Research Market Neutral Instl | (7/13) | 3.38 | 25 | 2.26 | 56 | 4.51 | 9 | -7.04 | 86 | -0.90 | 36 |

Data Source: Morningstar, SEI Investments

Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources believed accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.