FUND EVALUATION REPORT

Hospitality Industry 401(k) Plan

Investment Review
January 24, 2019

Recent 401(k) News

- Fidelity Investments sued (2nd time) for mismanagement of its company's 401(k) Plan. Plaintiffs claim the plan is loaded with expensive proprietary mutual funds, causing over $100 million in excess losses.
- Other financial services firms have been sued for similar reasons with mixed results. Some have been decided in favor of the defendants (Capital Group), while others have settled (Deutsche Bank and Citigroup).
- Trend reversal? Many universities sued for not offering the cheapest share classes. Because the diverse selection of funds were available to plan participants, the claim that the plan sponsors breached their duties was negated. "Prudence does not require perfection."
- New trend? An amendment was proposed to allow employers to offer a student loan benefit program under the 401(k) Plan.
- House Republicans introduced the Family Savings Act on 9/10/18. This allows for small employers in different industries to partner in a common Multi-Employer Plan (MEP). This allows small employers to aggregate in order to save fees and costs.

Executive Summary

- The value of the 401(k) Plan decreased by $3.2 million during the fourth quarter of 2018, ending at $36.3 million on December 31, 2018. The value increased by $0.5 million in the past twelve months.

Quarter	Market Value ($mm)
2018Q4	$36.3
2018Q3	$39.5
2018Q2	$38.2
2018Q1	$36.3
2017Q4	$35.9

- Equities were negative for 2018, with U.S. equities performing relatively better than both international developed and emerging markets. Growth style continued to outperform value during this period, as well.
- All investment options posted negative returns for 2018, except for Touchstone, which was up 6.3% for the year. However, all investments were up for the 3-, 5-, and 10-year periods.
- Baird Core Fixed Income was the best performing investment for the quarter, returning 0.9%.
- The Guaranteed Income Fund represents about one-sixth (16.3%) of the Plan's assets as of December 31, 2018.
- Only 2 of the 29 investment options had a net expense ratio above the respective peer average. The two managers with a higher expense ratio were Artisan MidCap and Principal Small Cap Growth.

Aggregate Performance and Fees
As of 12/31/2018

Asset Class	% of 401(k)	"Average" Investment Return 1YR[1] (%)	"Average" Benchmark Return 1YR (%)	Average Investment Management Fee (%)	Average Universe Investment Management Fee (%)
Large Cap U.S. Equity	18	-1.2	-4.7	0.34	0.76
Small/MidCap U.S. Equity	14	-8.6	-9.6	0.59	0.95
International Developed Equity	4	-19.1	-15.9	0.59	0.98
Emerging Market Equity	< 1	-14.6	-14.8	0.14	1.16
Balanced Assets	36	-6.1	-6.5	0.14	0.59
High Yield Bonds	3	-4.1	-2.2	0.66	0.73
Investment Grade Bonds	6	-1.0	-0.8	0.20	0.65
Real Estate	1	-5.9	-5.9	0.12	1.50
Cash	16	1.9[2]	1.9	0.00	0.20
Total Plan	**100**	**-6.6**	**-7.0**	**0.31**	**0.83**

- The 401(k) Plan "average" outperformed the Total Plan benchmarks' "average" by 0.4% for the trailing twelve months ending December 31, 2018.
- The fees remain low, overall, relative to respective peer groups.

[1] Unweighted average of options.
[2] Used T-Bills as proxy for returns prior to investment.

Plan Summary
As of December 31, 2018

Compliance Report

As of December 31, 2018

	1 Yr (%)	Index (%)	Excess Return (%)	Rank	3 Yrs (%)	Index (%)	Excess Return (%)	Rank	5 Yrs (%)	Index (%)	Excess Return (%)	Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank
Vanguard 500 Index	-4.4	*-4.4*	0.0	--	9.2	*9.3*	-0.1	--	8.5	*8.5*	0.0	--	15.3%	--
Touchstone Sands Institutional Growth	6.3	*-1.5*	7.8	--	9.4	*11.1*	-1.7	--	7.3	*10.4*	-3.1	--	22.7%	--
Vanguard Equity Income	-5.6	*-8.3*	2.7	--	8.7	*7.0*	1.7	--	7.6	*5.9*	1.7	--	13.6%	--
Artisan MidCap	-3.8	*-4.8*	1.0	32	4.9	*8.6*	-3.7	88	4.6	*7.4*	-2.8	86	18.8%	71
Vanguard MidCap Index	-9.2	*-9.2*	0.0	47	6.4	*6.4*	0.0	54	6.2	*6.2*	0.0	27	15.5%	41
Victory Sycamore MidCap Value	-9.9	*-12.3*	2.4	--	8.2	*6.1*	2.1	--	7.5	*5.4*	2.1	--	14.6%	--
Vanguard Small Cap Index	-9.3	*-9.3*	0.0	--	7.6	*7.6*	0.0	--	5.3	*5.2*	0.1	--	18.2%	--
Principal Small Cap Growth	-5.3	*-9.3*	4.0	--	9.3	*7.2*	2.1	--	6.0	*5.1*	0.9	--	20.9%	--
Goldman Sachs Small Cap Value	-14.0	*-12.9*	-1.1	--	6.4	*7.4*	-1.0	--	4.0	*3.6*	0.4	--	16.9%	--
DFA International Small Cap Value	-23.3	*-17.3*	-6.0	88	2.0	*3.4*	-1.4	67	0.9	*1.9*	-1.0	47	13.8%	97
Capital Research & Management American Funds EuroPacific Growth	-14.9	*-14.4*	-0.5	63	4.1	*4.2*	-0.1	37	1.9	*1.7*	0.2	44	13.4%	66
Vanguard Emerging Markets Stock Index	-14.6	*-14.8*	0.2	28	7.8	*7.7*	0.1	42	1.3	*1.3*	0.0	45	15.5%	85
Vanguard Target Retirement Income Inv	-2.0	*-2.2*	0.2	--	3.8	*4.0*	-0.2	--	3.3	*2.9*	0.4	--	4.0%	--
Vanguard Target Retirement 2015	-3.0	*-3.5*	0.5	23	4.7	*4.8*	-0.1	42	4.0	*3.6*	0.4	32	5.4%	39
Vanguard Target Retirement 2020	-4.2	*-4.2*	0.0	51	5.3	*5.2*	0.1	14	4.4	*3.9*	0.5	1	7.1%	83
Vanguard Target Retirement 2025	-5.2	*-4.9*	-0.3	48	5.7	*5.7*	0.0	26	4.7	*4.2*	0.5	1	8.4%	85
Vanguard Target Retirement 2030	-5.9	*-5.8*	-0.1	40	6.1	*6.3*	-0.2	25	4.8	*4.4*	0.4	5	9.5%	75
Vanguard Target Retirement 2035	-6.6	*-6.8*	0.2	38	6.4	*6.7*	-0.3	27	5.0	*4.6*	0.4	4	10.6%	73
Vanguard Target Retirement 2040	-7.3	*-7.7*	0.4	39	6.7	*7.0*	-0.3	11	5.1	*4.7*	0.4	4	11.7%	86
Vanguard Target Retirement 2045	-7.9	*-8.2*	0.3	42	6.8	*7.1*	-0.3	18	5.1	*4.6*	0.5	8	12.4%	95
Vanguard Target Retirement 2050	-7.9	*-8.4*	0.5	37	6.8	*7.0*	-0.2	22	5.1	*4.5*	0.6	10	12.4%	83
Vanguard Target Retirement 2055	-7.9	*-8.6*	0.7	38	6.8	*7.0*	-0.2	20	5.1	*4.4*	0.7	12	12.3%	78
Vanguard Target Retirement 2060	-7.9	*-8.7*	0.8	28	6.8	*7.0*	-0.2	26	5.1	*4.3*	0.8	--	12.4%	70
Vanguard Target Retirement 2065	-7.9	*-8.7*	0.8	33	--	*7.0*		--	--	*4.3*		--	12.3%	66
Baird Core Bond Plus	-0.5	*-0.3*	-0.2	--	2.9	*2.6*	0.3	--	3.1	*2.7*	0.4	--	2.7%	--
Columbia High Yield Bond	-4.1	*-2.2*	-1.9	85	4.5	*7.2*	-2.7	85	3.3	*3.8*	-0.5	40	4.4%	94
Vanguard Inflation Protected Securities	-1.4	*-1.3*	-0.1	53	2.0	*2.1*	-0.1	44	1.6	*1.7*	-0.1	21	2.8%	92
Guaranteed Income Fund	--	*1.9*		--	--	*1.0*		--	--	*0.6*		--	--	--
Vanguard REIT Index	-5.9	*-5.9*	0.0	52	2.3	*1.5*	0.8	31	7.4	*6.4*	1.0	45	15.7%	90

Not all peer group data is currently available at the time this report was produced.
Used manager composite for trailing periods before client invested.

Total Fund Aggregate

As of December 31, 2018

Asset Class Performance Summary

	Market Value 12/31/18 ($)	% of Portfolio	Market Value 9/30/18 ($)
Total Fund Aggregate	**36,310,378**	**100.0**	**39,542,916**
Large Cap Equity Assets	**6,714,714**	**18.5**	**7,958,241**
MidCap Equity Assets	**3,128,561**	**8.6**	**3,789,578**
Small Cap Equity Assets	**2,064,219**	**5.7**	**2,414,835**
International Developed Market Equity Assets	**1,484,500**	**4.1**	**1,788,015**
Emerging Market Equity Assets	**110,081**	**0.3**	**92,727**
Balanced Assets	**12,924,019**	**35.6**	**13,802,306**
Fixed Income Assets	**3,414,303**	**9.4**	**3,459,809**
Cash	**5,932,794**	**16.3**	**5,658,003**
Real Estate Assets	**537,187**	**1.5**	**579,403**

Total Fund Aggregate

As of December 31, 2018

Trailing Net Performance

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Total Fund Aggregate	**36,310,378**	**100.0**	**--**					
Large Cap Equity Assets	**6,714,714**	**18.5**	**18.5**					
Vanguard 500 Index	3,961,380	10.9	59.0	-13.5	-4.4	9.2	8.5	13.1
S&P 500				*-13.5*	*-4.4*	*9.3*	*8.5*	*13.1*
Touchstone Sands Institutional Growth	2,203,529	6.1	32.8	-17.7	6.3	9.4	7.3	18.6
Russell 1000 Growth				*-15.9*	*-1.5*	*11.1*	*10.4*	*15.3*
Vanguard Equity Income	549,805	1.5	8.2	-9.4	-5.6	8.7	7.6	12.3
Russell 1000 Value				*-11.7*	*-8.3*	*7.0*	*5.9*	*11.2*
MidCap Equity Assets	**3,128,561**	**8.6**	**8.6**					
Artisan MidCap	1,889,825	5.2	60.4	-18.3	-3.8	4.9	4.6	15.0
Russell MidCap Growth				*-16.0*	*-4.8*	*8.6*	*7.4*	*15.1*
Vanguard MidCap Index	1,047,746	2.9	33.5	-15.5	-9.2	6.4	6.2	13.9
CRSP US Mid Cap TR USD				*-15.5*	*-9.2*	*6.4*	*6.2*	*13.7*
Victory Sycamore MidCap Value	190,989	0.5	6.1	-15.2	-9.9	8.2	7.5	13.4
Russell MidCap Value				*-15.0*	*-12.3*	*6.1*	*5.4*	*13.0*
Small Cap Equity Assets	**2,064,219**	**5.7**	**5.7**					
Vanguard Small Cap Index	1,554,367	4.3	75.3	-18.3	-9.3	7.6	5.3	13.6
CRSP US Small Cap TR USD				*-18.3*	*-9.3*	*7.6*	*5.2*	*14.1*
Principal Small Cap Growth	235,044	0.6	11.4	-21.2	-5.3	9.3	6.0	15.7
Russell 2000 Growth				*-21.7*	*-9.3*	*7.2*	*5.1*	*13.5*
Goldman Sachs Small Cap Value	274,808	0.8	13.3	-18.1	-14.0	6.4	4.0	12.1
Russell 2000 Value				*-18.7*	*-12.9*	*7.4*	*3.6*	*10.4*

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
International Developed Market Equity Assets	**1,484,500**	**4.1**	**4.1**					
DFA International Small Cap Value	1,194,764	3.3	80.5	-17.9	-23.3	2.0	0.9	8.7
MSCI World ex USA SMID Net USD				*-15.7*	*-17.3*	*3.4*	*1.9*	*8.8*
Capital Research & Management American Funds EuroPacific Growth	289,735	0.8	19.5	-12.6	-14.9	4.1	1.9	7.7
MSCI ACWI ex USA Growth				*-12.2*	*-14.4*	*4.2*	*1.7*	*7.1*
Emerging Market Equity Assets	**110,081**	**0.3**	**0.3**					
Vanguard Emerging Markets Stock Index	110,081	0.3	100.0	-6.3	-14.6	7.8	1.3	7.5
Spliced Emerging Markets Index				*-6.4*	*-14.8*	*7.7*	*1.3*	*7.7*
Balanced Assets	**12,924,019**	**35.6**	**35.6**					
Vanguard Target Retirement Income Inv	1,473,094	4.1	11.4	-3.2	-2.0	3.8	3.3	5.9
Morningstar Lifetime Mod Incm TR USD				*-4.1*	*-2.2*	*4.0*	*2.9*	*5.9*
Vanguard Target Retirement 2015	25	0.0	0.0	-4.7	-3.0	4.7	4.0	7.8
Morningstar Lifetime Mod 2015 TR USD				*-5.2*	*-3.5*	*4.8*	*3.6*	*7.6*
Vanguard Target Retirement 2020	4,236,102	11.7	32.8	-6.5	-4.2	5.3	4.4	8.5
Morningstar Lifetime Mod 2020 TR USD				*-6.0*	*-4.2*	*5.2*	*3.9*	*8.3*
Vanguard Target Retirement 2025	8,284	0.0	0.1	-7.7	-5.2	5.7	4.7	9.1
Morningstar Lifetime Mod 2025 TR USD				*-7.0*	*-4.9*	*5.7*	*4.2*	*9.1*
Vanguard Target Retirement 2030	4,833,304	13.3	37.4	-8.9	-5.9	6.1	4.8	9.6
Morningstar Lifetime Mod 2030 TR USD				*-8.4*	*-5.8*	*6.3*	*4.4*	*9.7*
Vanguard Target Retirement 2035	8,097	0.0	0.1	-9.9	-6.6	6.4	5.0	10.0
Morningstar Lifetime Mod 2035 TR USD				*-9.9*	*-6.8*	*6.7*	*4.6*	*10.2*
Vanguard Target Retirement 2040	1,730,703	4.8	13.4	-11.0	-7.3	6.7	5.1	10.3
Morningstar Lifetime Mod 2040 TR USD				*-11.1*	*-7.7*	*7.0*	*4.7*	*10.3*

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Vanguard Target Retirement 2045	222	0.0	0.0	-11.8	-7.9	6.8	5.1	10.3
Morningstar Lifetime Mod 2045 TR USD				*-11.7*	*-8.2*	*7.1*	*4.6*	*10.3*
Vanguard Target Retirement 2050	450,570	1.2	3.5	-11.8	-7.9	6.8	5.1	10.3
Morningstar Lifetime Mod 2050 TR USD				*-11.8*	*-8.4*	*7.0*	*4.5*	*10.3*
Vanguard Target Retirement 2055	895	0.0	0.0	-11.8	-7.9	6.8	5.1	--
Morningstar Lifetime Mod 2055 TR USD				*-11.8*	*-8.6*	*7.0*	*4.4*	*10.2*
Vanguard Target Retirement 2060	182,722	0.5	1.4	-11.8	-7.9	6.8	5.1	--
Morningstar Lifetime Mod 2060 TR USD				*-11.8*	*-8.7*	*7.0*	*4.3*	*10.2*
Vanguard Target Retirement 2065	0	0.0	0.0	-11.8	-7.9	--	--	--
Morningstar Lifetime Mod 2060 TR USD				*-11.8*	*-8.7*	*7.0*	*4.3*	*10.2*
Fixed Income Assets	**3,414,303**	**9.4**	**9.4**					
Baird Core Bond Plus	2,122,358	5.8	62.2	0.9	-0.5	2.9	3.1	5.4
BBgBarc US Universal TR				*1.2*	*-0.3*	*2.6*	*2.7*	*4.1*
Columbia High Yield Bond	1,164,619	3.2	34.1	-5.2	-4.1	4.5	3.3	9.9
ICE BofAML US High Yield Cash Pay Constrained TR				*-4.6*	*-2.2*	*7.2*	*3.8*	*10.9*
Vanguard Inflation Protected Securities	127,325	0.4	3.7	-0.5	-1.4	2.0	1.6	3.5
BBgBarc US TIPS TR				*-0.4*	*-1.3*	*2.1*	*1.7*	*3.6*
Cash	**5,932,794**	**16.3**	**16.3**					
Guaranteed Income Fund	5,932,794	16.3	100.0	0.6	--	--	--	--
91 Day T-Bills				*0.5*	*1.9*	*1.0*	*0.6*	*0.4*
Real Estate Assets	**537,187**	**1.5**	**1.5**					
Vanguard REIT Index	537,187	1.5	100.0	-6.4	-5.9	2.3	7.4	12.0
Vanguard REIT Benchmark				*-6.4*	*-5.9*	*1.5*	*6.4*	*10.8*

Benchmark History
As of December 31, 2018

Vanguard Emerging Markets Stock Index		
9/19/2016	Present	FTSE Emerging Markets All Cap China A Inclusion Index
11/2/2015	9/18/2016	FTSE Emerging Markets All Cap China A Transition Index
6/28/2013	11/1/2015	FTSE Emerging Index
1/10/2013	6/27/2013	FTSE Emerging Transition Index
8/24/2006	1/9/2013	MSCI Emerging Markets Index

Vanguard REIT Index		
2/1/2018	Present	MSCI US Inv Mkt Real Estate 25-50 Transition GR USD
5/1/2009	1/31/2018	MSCI US REIT
1/1/1990	4/30/2009	98% MSCI US REIT / 2% 91 Day T-Bills

Hospitality Industry 401(k) Plan

As of December 31, 2018

Investment Expense Analysis
As Of December 31, 2018

Name	Market Value	% of Portfolio	Expense Ratio	Median Expense Ratio	Difference Fund v. Median
Large Cap Equity Assets	**$6,714,714**	**18.5%**			
Vanguard 500 Index	$3,961,380	10.9%	0.04%	0.74%	-0.70%
Touchstone Sands Institutional Growth	$2,203,529	6.1%	0.80%	0.80%	0.00%
Vanguard Equity Income	$549,805	1.5%	0.17%	0.74%	-0.57%
MidCap Equity Assets	**$3,128,561**	**8.6%**			
Artisan MidCap	$1,889,825	5.2%	0.95%	0.93%	0.02%
Vanguard MidCap Index	$1,047,746	2.9%	0.05%	0.89%	-0.84%
Victory Sycamore MidCap Value	$190,989	0.5%	0.54%	0.89%	-0.35%
Small Cap Equity Assets	**$2,064,219**	**5.7%**			
Vanguard Small Cap Index	$1,554,367	4.3%	0.05%	0.99%	-0.94%
Principal Small Cap Growth	$235,044	0.6%	1.01%	0.99%	0.02%
Goldman Sachs Small Cap Value	$274,808	0.8%	0.93%	0.99%	-0.06%
International Developed Market Equity Assets	**$1,484,500**	**4.1%**			
DFA International Small Cap Value	$1,194,764	3.3%	0.68%	1.05%	-0.37%
Capital Research & Management American Funds EuroPacific Growth	$289,735	0.8%	0.49%	0.90%	-0.41%
Emerging Market Equity Assets	**$110,081**	**0.3%**			
Vanguard Emerging Markets Stock Index	$110,081	0.3%	0.14%	1.16%	-1.02%
Balanced Assets	**$12,924,019**	**35.6%**			
Vanguard Target Retirement Income Inv	$1,473,094	4.1%	0.13%	1.29%	-1.16%
Vanguard Target Retirement 2015	$25	0.0%	0.13%	0.48%	-0.35%
Vanguard Target Retirement 2020	$4,236,102	11.7%	0.13%	0.50%	-0.37%
Vanguard Target Retirement 2025	$8,284	0.0%	0.14%	0.51%	-0.37%
Vanguard Target Retirement 2030	$4,833,304	13.3%	0.14%	0.54%	-0.40%
Vanguard Target Retirement 2035	$8,097	0.0%	0.14%	0.54%	-0.40%
Vanguard Target Retirement 2040	$1,730,703	4.8%	0.15%	0.56%	-0.41%
Vanguard Target Retirement 2045	$222	0.0%	0.15%	0.54%	-0.39%

Hospitality Industry 401(k) Plan

As of December 31, 2018

Name	Market Value	% of Portfolio	Expense Ratio	Median Expense Ratio	Difference Fund v. Median
Vanguard Target Retirement 2050	$450,570	1.2%	0.15%	0.56%	-0.41%
Vanguard Target Retirement 2055	$895	0.0%	0.15%	0.54%	-0.39%
Vanguard Target Retirement 2060	$182,722	0.5%	0.15%	0.51%	-0.36%
Vanguard Target Retirement 2065	$0	0.0%	0.15%	0.51%	-0.36%
Fixed Income Assets	**$3,414,303**	**9.4%**			
Baird Core Bond Plus	$2,122,358	5.8%	0.30%	0.85%	-0.55%
Columbia High Yield Bond	$1,164,619	3.2%	0.66%	0.73%	-0.07%
Vanguard Inflation Protected Securities	$127,325	0.4%	0.10%	0.45%	-0.35%
Cash	**$5,932,794**	**16.3%**			
Guaranteed Income Fund	$5,932,794	16.3%		0.20%	
Real Estate Assets	**$537,187**	**1.5%**			
Vanguard REIT Index	$537,187	1.5%	0.12%	0.95%	-0.83%

Disclaimer, Glossary, and Notes

Disclaimer

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Jensen's Alpha: A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta*(market return-Risk Free Rate)].

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about is future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays $5 a year interest on each $100 par value. To figure its current yield, divide $5 by $95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay $100 for the bond that can be bought now for $95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = \begin{matrix}1\% \text{ pro rata, plus} \\ 5.26\% \text{ (current yield)}\end{matrix} = 6.26\% \text{ (yield to maturity)}$$

Sources: Investment Terminology, International Foundation of Employee Benefit Plans, 1999.
The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991.

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.