Hospitality Industry 401(k) Plan

Investment Review
February 27, 2020

Fund Evaluation Report

Agenda

Executive Summary

- The value of the 401(k) Plan increased by $0.3 million during the fourth quarter of 2019, ending at $46.0 million on December 31, 2019. The value increased by $9.7 million over the past twelve months.

Quarter	Market Value ($mm)
2019Q4	$46.0
2019Q3	$42.6
2019Q2	$42.1
2019Q1	$39.9
2018Q4	$36.3

- All investment options posted positive returns for the past quarter and across the 1, 3, 5, and 10-year periods.
- DFA International Small Cap Value was the best performing manager over the quarter, advancing 11.8%. Artisan MidCap was the strongest performer in 2019, appreciating by 38.5%.
- The Guaranteed Income Fund was the largest single investment and represented 14% of the Plan's assets as of December 31, 2019. As a group, the Target Date funds accounted for 37% of the Plan assets.
- Only 2 of the 29 investment options had net expense ratios above the respective peer average. The two were Touchstone and Artisan MidCap.

Aggregate Performance and Fees
As of December 31, 2019

Asset Class	% of 401(k)	Average Investment Return 1YR (%)	Benchmark Return 1YR (%)	Average Investment Management Fee[1] (%)	Average Universe1 Investment Management Fee (%)
Large Cap U.S. Equity	20	29.9	31.5 (S&P 500)	0.34	0.74
Small/MidCap U.S. Equity	15	30.4	27.8 (Russell 2500)	0.57	0.94
International Developed Equity	4	24.2	22.0 (MSCI EAFE)	0.59	0.98
Emerging Market Equity	< 1	20.3	18.4 (MSCI EM)	0.14	1.15
Balanced Assets	37	21.5	18.7 (60% ACWI / 40% Global Agg)	0.14	0.52
High Yield Bonds	3	17.2	14.3 (Barclays HY)	0.66	0.72
Investment Grade Bonds	6	9.2	8.7 (Barclays Agg)	0.20	0.48
Real Estate	2	28.9	25.8 (MSCI US REIT)	0.12	1.50
Cash	14	2.6	2.1 (91 Day T-Bill)	0.00	0.19

- The fees remain low, overall, relative to their respective peer groups.
- The Large Cap US Equity aggregate lagged the benchmark by 160 basis points. However, all other asset class aggregates outperformed their respective benchmarks.

[1] Based on applicable Morningstar peer fee groups.

New Investment Options Update

- At the August 2019 meeting, the Board approved the recommendation to add a passive option for investment grade bonds and international equity.
  - The Vanguard Total Bond Index (VBTLX) provides broad exposure to US investment grade bonds.
  - The Vanguard Total International Stock Index (VTIAX) offers exposure to both developed and emerging equities.
- Prudential has added the two options on January 2, 2020 and they are currently available to participants.

Plan Summary

As of December 31, 2019

Compliance Report

MEKETA

Hospitality Industry 401(k) Plan

Compliance Report | As of December 31, 2019

	1 Yr (%)	Index (%)	Excess Return (%)	Rank	3 Yrs (%)	Index (%)	Excess Return (%)	Rank	5 Yrs (%)	Index (%)	Excess Return (%)	Rank	Expense Ratio	Median Expense Ratio
Vanguard Target Retirement Income Inv	13.2	*13.3*	-0.1	55	6.4	*6.3*	0.1	55	4.8	*4.7*	0.1	34	0.12%	0.53%
Vanguard Target Retirement 2015	14.8	*16.3*	-1.5	65	7.5	*7.7*	-0.2	40	5.6	*5.6*	0.0	52	0.13%	0.43%
Vanguard Target Retirement 2020	17.6	*17.7*	-0.1	28	8.7	*8.4*	0.3	16	6.4	*6.1*	0.3	12	0.13%	0.48%
Vanguard Target Retirement 2025	19.6	*19.4*	0.2	23	9.6	*9.1*	0.5	22	7.0	*6.7*	0.3	14	0.13%	0.50%
Vanguard Target Retirement 2030	21.1	*21.2*	-0.1	41	10.2	*10.0*	0.2	29	7.4	*7.3*	0.1	22	0.14%	0.52%
Vanguard Target Retirement 2035	22.4	*23.0*	-0.6	51	10.9	*10.8*	0.1	32	7.8	*7.8*	0.0	25	0.14%	0.53%
Vanguard Target Retirement 2040	23.9	*24.3*	-0.4	52	11.5	*11.2*	0.3	31	8.2	*8.1*	0.1	23	0.14%	0.55%
Vanguard Target Retirement 2045	24.9	*25.0*	-0.1	52	11.8	*11.4*	0.4	33	8.4	*8.3*	0.1	22	0.15%	0.55%
Vanguard Target Retirement 2050	25.0	*25.1*	-0.1	62	11.8	*11.4*	0.4	40	8.4	*8.2*	0.2	28	0.15%	0.55%
Vanguard Target Retirement 2055	25.0	*25.1*	-0.1	61	11.8	*11.4*	0.4	44	8.4	*8.2*	0.2	33	0.15%	0.54%
Vanguard Target Retirement 2060	25.0	*25.0*	0.0	79	11.8	*11.4*	0.4	54	8.4	*8.1*	0.3	76	0.15%	0.55%
Vanguard Target Retirement 2065	25.0	*25.0*	0.0	79	--	*11.4*		--	--	*8.1*		--	0.15%	0.55%
Vanguard Inflation Protected Securities	8.2	*8.4*	-0.2	49	3.2	*3.3*	-0.1	49	2.5	*2.6*	-0.1	42	0.10%	0.45%
Vanguard 500 Index	31.5	*31.5*	0.0	32	15.2	*15.3*	-0.1	36	11.7	*11.7*	0.0	29	0.04%	0.73%
Vanguard MidCap Index	31.0	*31.1*	-0.1	39	12.4	*12.4*	0.0	43	9.3	*9.3*	0.0	44	0.05%	0.88%
Vanguard Small Cap Index	27.4	*27.3*	0.1	32	10.3	*10.3*	0.0	35	8.9	*8.9*	0.0	41	0.05%	0.98%
Vanguard Emerging Markets Stock Index	20.3	*20.4*	-0.1	51	10.5	*10.4*	0.1	56	5.0	*4.9*	0.1	63	0.14%	1.15%
Guaranteed Income Fund	2.6	*2.1*	0.5	1	--	*1.6*		--	--	*1.1*		--		0.20%
Baird Core Bond Plus	10.1	*9.3*	0.8	26	4.7	*4.3*	0.4	27	3.8	*3.4*	0.4	23	0.30%	0.50%
Vanguard Equity Income	25.3	*26.5*	-1.2	56	11.9	*9.7*	2.2	19	10.2	*8.3*	1.9	6	0.18%	0.72%
Touchstone Sands Institutional Growth	32.9	*36.4*	-3.5	51	23.9	*20.5*	3.4	7	11.7	*14.6*	-2.9	69	0.80%	0.78%
Victory Sycamore MidCap Value	28.8	*27.1*	1.7	35	10.4	*8.1*	2.3	7	10.5	*7.6*	2.9	3	0.57%	0.86%
Artisan MidCap	38.5	*35.5*	3.0	18	17.2	*17.4*	-0.2	41	10.4	*11.6*	-1.2	62	0.96%	0.92%
Goldman Sachs Small Cap Value	23.2	*22.4*	0.8	34	6.0	*4.8*	1.2	19	7.0	*7.0*	0.0	30	0.94%	0.99%
Principal Small Cap Growth	33.5	*28.5*	5.0	31	16.9	*12.5*	4.4	36	12.0	*9.3*	2.7	20	0.86%	0.99%
Capital Research & Mgmt American Funds EuroPacific Growth	27.4	*27.3*	0.1	68	12.5	*12.9*	-0.4	57	7.4	*7.3*	0.1	49	0.49%	0.89%
DFA International Small Cap Value	21.0	*24.8*	-3.8	21	5.9	*10.1*	-4.2	72	5.9	*7.3*	-1.4	39	0.68%	1.06%
Columbia High Yield Bond	17.2	*14.4*	2.8	2	6.2	*6.3*	-0.1	23	5.7	*6.1*	-0.4	30	0.66%	0.72%
Vanguard REIT Index	28.9	*29.0*	-0.1	41	8.4	*8.0*	0.4	41	7.2	*6.4*	0.8	44	0.12%	0.90%

Used manager composite for trailing periods before client invested.

Plan Summary

Asset Class Performance Summary

	Market Value 12/31/19 ($)	% of Portfolio	Market Value 9/30/19 ($)
Total Fund Aggregate	**46,047,922**	**100.0**	**42,557,021**
Tier I	**17,052,243**	**37.0**	**15,606,973**
Tier II	**8,938,270**	**19.4**	**8,164,040**
Tier III	**17,887,099**	**38.8**	**16,688,616**
Tier IV	**2,170,311**	**4.7**	**2,097,393**

Trailing Net Performance

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Total Fund Aggregate	**46,047,922**	**100.0**	**--**					
Tier I	**17,052,243**	**37.0**	**37.0**					
Vanguard Target Retirement Income Inv	1,877,395	4.1	11.0	2.6	13.2	6.4	4.8	5.8
Morningstar Lifetime Mod Incm TR USD				*3.2*	*13.3*	*6.3*	*4.7*	*5.7*
Target Date Retirement Mstar MF Rank				*56*	*55*	*55*	*34*	*20*
Vanguard Target Retirement 2015	3,323	0.0	0.0	3.2	14.8	7.5	5.6	7.2
Morningstar Lifetime Mod 2015 TR USD				*3.6*	*16.3*	*7.7*	*5.6*	*7.1*
Target Date 2015 Mstar MF Rank				*85*	*65*	*40*	*52*	*43*
Vanguard Target Retirement 2020	5,167,998	11.2	30.3	4.5	17.6	8.7	6.4	8.0
Morningstar Lifetime Mod 2020 TR USD				*3.9*	*17.7*	*8.4*	*6.1*	*7.7*
Target Date 2020 Mstar MF Rank				*29*	*28*	*16*	*12*	*5*
Vanguard Target Retirement 2025	47,702	0.1	0.3	5.2	19.6	9.6	7.0	8.6
Morningstar Lifetime Mod 2025 TR USD				*4.5*	*19.4*	*9.1*	*6.7*	*8.4*
Target Date 2025 Mstar MF Rank				*28*	*23*	*22*	*14*	*6*
Vanguard Target Retirement 2030	6,294,127	13.7	36.9	5.9	21.1	10.2	7.4	9.1
Morningstar Lifetime Mod 2030 TR USD				*5.3*	*21.2*	*10.0*	*7.3*	*9.0*
Target Date 2030 Mstar MF Rank				*34*	*41*	*29*	*22*	*14*
Vanguard Target Retirement 2035	44,926	0.1	0.3	6.7	22.4	10.9	7.8	9.5
Morningstar Lifetime Mod 2035 TR USD				*6.3*	*23.0*	*10.8*	*7.8*	*9.5*
Target Date 2035 Mstar MF Rank				*40*	*51*	*32*	*25*	*10*

Returns and market values are preliminary.

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Vanguard Target Retirement 2040	2,585,566	5.6	15.2	7.4	23.9	11.5	8.2	9.9
Morningstar Lifetime Mod 2040 TR USD				*7.1*	*24.3*	*11.2*	*8.1*	*9.7*
Target Date 2040 Mstar MF Rank				*34*	*52*	*31*	*23*	*13*
Vanguard Target Retirement 2045	14,737	0.0	0.1	8.0	24.9	11.8	8.4	10.0
Morningstar Lifetime Mod 2045 TR USD				*7.6*	*25.0*	*11.4*	*8.3*	*9.7*
Target Date 2045 Mstar MF Rank				*26*	*52*	*33*	*22*	*8*
Vanguard Target Retirement 2050	736,373	1.6	4.3	8.0	25.0	11.8	8.4	10.0
Morningstar Lifetime Mod 2050 TR USD				*7.7*	*25.1*	*11.4*	*8.2*	*9.6*
Target Date 2050 Mstar MF Rank				*35*	*62*	*40*	*28*	*11*
Vanguard Target Retirement 2055	27,005	0.1	0.2	8.0	25.0	11.8	8.4	--
Morningstar Lifetime Mod 2055 TR USD				*7.8*	*25.1*	*11.4*	*8.2*	*9.5*
Target Date 2055 Mstar MF Rank				*36*	*61*	*44*	*33*	*--*
Vanguard Target Retirement 2060	251,954	0.5	1.5	8.0	25.0	11.8	8.4	--
Morningstar Lifetime Mod 2060 TR USD				*7.8*	*25.0*	*11.4*	*8.1*	*9.4*
Target Date 2060+ Mstar MF Rank				*48*	*79*	*54*	*76*	*--*
Vanguard Target Retirement 2065	1,135	0.0	0.0	8.0	25.0	--	--	--
Morningstar Lifetime Mod 2060 TR USD				*7.8*	*25.0*	*11.4*	*8.1*	*9.4*
Target Date 2060+ Mstar MF Rank				*50*	*79*	*--*	*--*	*--*

Returns and market values are preliminary.

Total Fund Aggregate | As of December 31, 2019

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Tier II	**8,938,270**	**19.4**	**19.4**					
Vanguard Inflation Protected Securities	135,562	0.3	1.5	0.6	8.2	3.2	2.5	3.3
BBgBarc US TIPS TR				*0.8*	*8.4*	*3.3*	*2.6*	*3.4*
Inflation-Protected Bond MStar MF Rank				*87*	*49*	*49*	*42*	*28*
Vanguard 500 Index	5,423,380	11.8	60.7	9.1	31.5	15.2	11.7	13.5
S&P 500				*9.1*	*31.5*	*15.3*	*11.7*	*13.6*
Large Cap MStar MF Rank				*38*	*32*	*36*	*29*	*27*
Vanguard MidCap Index	1,346,496	2.9	15.1	6.9	31.0	12.4	9.3	13.1
CRSP US Mid Cap TR USD				*6.9*	*31.1*	*12.4*	*9.3*	*13.3*
Mid Cap MStar MF Rank				*64*	*39*	*43*	*44*	*30*
Vanguard Small Cap Index	1,888,687	4.1	21.1	8.1	27.4	10.3	8.9	12.8
CRSP US Small Cap TR USD				*8.1*	*27.3*	*10.3*	*8.9*	*13.0*
Small Cap MStar MF Rank				*58*	*32*	*35*	*41*	*30*
Vanguard Emerging Markets Stock Index	144,145	0.3	1.6	11.3	20.3	10.5	5.0	3.4
Spliced Emerging Markets Index				*11.4*	*20.4*	*10.4*	*4.9*	*3.5*
Diversified Emerging Mkts MStar MF Rank				*42*	*51*	*56*	*63*	*70*

Returns and market values are preliminary.

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Tier III	**17,887,099**	**38.8**	**38.8**					
Guaranteed Income Fund	6,506,799	14.1	36.4	0.7	2.6	--	--	--
91 Day T-Bills				*0.4*	*2.1*	*1.6*	*1.1*	*0.6*
Prime Money Market Mstar MF Rank				*1*	*1*	*--*	*--*	*--*
Baird Core Bond Plus	2,404,372	5.2	13.4	0.5	10.1	4.7	3.8	4.9
BBgBarc US Universal TR				*0.5*	*9.3*	*4.3*	*3.4*	*4.1*
Intermediate Core Plus Bond MStar MF Rank				*38*	*26*	*27*	*23*	*22*
Vanguard Equity Income	534,298	1.2	3.0	6.7	25.3	11.9	10.2	13.0
Russell 1000 Value				*7.4*	*26.5*	*9.7*	*8.3*	*11.8*
Large Value MStar MF Rank				*66*	*56*	*19*	*6*	*5*
Touchstone Sands Institutional Growth	3,088,384	6.7	17.3	10.6	32.9	23.9	11.7	15.6
Russell 1000 Growth				*10.6*	*36.4*	*20.5*	*14.6*	*15.2*
Large Growth MStar MF Rank				*25*	*51*	*7*	*69*	*9*
Victory Sycamore MidCap Value	242,481	0.5	1.4	5.9	28.8	10.4	10.5	12.9
Russell MidCap Value				*6.4*	*27.1*	*8.1*	*7.6*	*12.4*
Mid-Cap Value MStar MF Rank				*82*	*35*	*7*	*3*	*5*
Artisan MidCap	2,642,048	5.7	14.8	7.3	38.5	17.2	10.4	14.0
Russell MidCap Growth				*8.2*	*35.5*	*17.4*	*11.6*	*14.2*
Mid-Cap Growth MStar MF Rank				*59*	*18*	*41*	*62*	*30*

Returns and market values are preliminary.

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Goldman Sachs Small Cap Value	339,508	0.7	1.9	7.1	23.2	6.0	7.0	11.7
Russell 2000 Value				*8.5*	*22.4*	*4.8*	*7.0*	*10.6*
Small Value MStar MF Rank				*75*	*34*	*19*	*30*	*11*
Principal Small Cap Growth	361,044	0.8	2.0	10.6	33.5	16.9	12.0	14.9
Russell 2000 Growth				*11.4*	*28.5*	*12.5*	*9.3*	*13.0*
Small Growth MStar MF Rank				*34*	*31*	*36*	*20*	*17*
Capital Research & Mgmt American Funds EuroPacific Growth	398,077	0.9	2.2	10.1	27.4	12.5	7.4	6.7
MSCI ACWI ex USA Growth				*9.6*	*27.3*	*12.9*	*7.3*	*6.2*
Foreign Large Growth MStar MF Rank				*43*	*68*	*57*	*49*	*68*
DFA International Small Cap Value	1,370,088	3.0	7.7	11.8	21.0	5.9	5.9	7.2
MSCI World ex USA SMID Net USD				*10.3*	*24.8*	*10.1*	*7.3*	*7.3*
Foreign Small/Mid Value MStar MF Rank				*38*	*21*	*72*	*39*	*26*
Tier IV	**2,170,311**	**4.7**	**4.7**					
Columbia High Yield Bond	1,416,238	3.1	65.3	2.7	17.2	6.2	5.7	7.3
ICE BofAML US High Yield Cash Pay Constrained TR				*2.6*	*14.4*	*6.3*	*6.1*	*7.5*
High Yield Bond MStar MF Rank				*34*	*2*	*23*	*30*	*24*
Vanguard REIT Index	754,073	1.6	34.7	0.6	28.9	8.4	7.2	12.0
Vanguard REIT Benchmark				*0.6*	*29.0*	*8.0*	*6.4*	*11.0*
Real Estate MStar MF Rank				*29*	*41*	*41*	*44*	*40*

Returns and market values are preliminary.

Benchmark History

As of December 31, 2019

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

Disclaimer, Glossary, and Notes

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SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM", "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

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.

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.

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.

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.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, as defined by the difference in standard deviation.

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%.

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

Yield to Worst: The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the issuer.

NCREIF Property Index (NPI): Measures unleveraged investment performance of a very large pool of individual commercial real estate properties acquired in the private market by tax-exempt institutional investors for investment purposes only. The NPI index is capitalization-weighted for a quarterly time series composite total rate of return.

NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE): Measures the investment performance of 28 open-end commingled funds pursuing a core investment strategy that reflects funds' leverage and cash positions. The NFI-ODCE index is equal-weighted and is reported gross and net of fees for a quarterly time series composite total rate of return.

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

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.