Hospitality Industry 401(k) Plan

Investment Review
November 20, 2019

MEKETA INVESTMENT GROUP

Boston, Massachusetts | Chicago, Illinois | Miami, Florida | New York, New York | Portland, Oregon | San Diego, California | London, United Kingdom

www.meketagroup.com

1. **Executive Summary**
2. **Plan Summary as of September 30, 2019**
3. **Disclaimer, Glossary, and Notes**

Executive Summary

- The value of the 401(k) Plan increased by $0.4 million during the third quarter of 2019, ending at $42.6 million on September 30, 2019. The value increased by $3.0 million over the past twelve months.

Quarter	Market Value ($mm)
2019Q3	$42.6
2019Q2	$42.1
2019Q1	$39.9
2018Q4	$36.3
2018Q3	$39.5

- Equity returns were mixed during the third quarter of 2019. Within US mid and large cap equities, growth managers were negative, while value and core were positive. US small cap equity and international equity were down over the three-month period.
- All investment options posted positive returns year-to-date. In addition, all investments were up for the 3, 5, and 10-year periods. The only managers down over the trailing 1-year period were Touchstone, DFA, and the three US small cap equity managers.
- The Vanguard REIT index was the best performing manager over the quarter, advancing 7.4%. Vanguard Equity Income, Baird Core Bond Plus, and Columbia High Yield all appreciated by 2.3%.
- The Guaranteed Income Fund was the largest single investment and represented 14% of the Plan's assets as of September 30, 2019. As a group, the Target Date funds accounted for 37% of the Plan assets.
- Only 3 of the 29 investment options had net expense ratios above the respective peer average. The three were Touchstone, Artisan MidCap, and Principal Small Cap Growth.

Aggregate Performance and Fees

As of 9/30/2019

Asset Class	% of 401(k)	Average Investment Return 1YR[1] (%)	Benchmark Return 1YR (%)	Average Investment Management Fee[1] (%)	Average Universe[2] Investment Management Fee (%)
Large Cap U.S. Equity	19	3.2	4.3 (S&P 500)	0.34	0.75
Small/MidCap U.S. Equity	15	-0.4	-4.0 (Russell 2500)	0.59	0.94
International Developed Equity	4	-5.1	-1.3 (MSCI EAFE)	0.59	0.98
Emerging Market Equity	< 1	1.3	-2.0 (MSCI EM)	0.14	1.15
Balanced Assets	37	3.6	4.2 (60% ACWI / 40% Global Agg)	0.14	0.52
High Yield Bonds	3	8.1	6.4 (Barclays HY)	0.66	0.73
Investment Grade Bonds	6	8.8	10.3 (Barclays Agg)	0.20	0.45
Real Estate	2	19.9	16.8 (MSCI US REIT)	0.12	1.50
Cash	14	2.6	2.3 (91 Day T-Bill)	0.00	0.19

- The fees remain low, overall, relative to respective peer groups.
- The International Developed Equity aggregate lagged the benchmark significantly due to the DFA International Small Cap Value Fund, which lost 11.2% over the past 12 months.
- All other asset class aggregates either outperformed their respective benchmarks or came within 1.5% during the past 12 months.

[1] Unweighted average of options.
[2] Based on applicable Morningstar peer fee groups.

New Investment Options Update

- At the August 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 current expense ratio is 0.05%.
  - The Vanguard Total International Stock Index (VTIAX) offers exposure to both developed and emerging equities. The current expense ratio is 0.11%.
- Prudential has a target date of January 3, 2020 for the two funds to become available to plan participants.

Plan Summary
As of September 30, 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 500 Index	4.2	*4.3*	-0.1	33	13.4	*13.4*	0.0	35	10.8	*10.8*	0.0	28	0.04%	0.73%
Touchstone Sands Institutional Growth	-1.1	*3.7*	-4.8	81	16.8	*16.9*	-0.1	27	10.4	*13.4*	-3.0	73	0.80%	0.79%
Vanguard Equity Income	6.5	*4.0*	2.5	17	11.2	*9.4*	1.8	18	9.6	*7.8*	1.8	9	0.18%	0.72%
Artisan MidCap	5.4	*5.2*	0.2	32	12.9	*14.5*	-1.6	63	10.0	*11.1*	-1.1	59	0.96%	0.92%
Vanguard MidCap Index	3.6	*3.7*	-0.1	29	10.7	*10.7*	0.0	46	9.2	*9.2*	0.0	38	0.05%	0.89%
Victory Sycamore MidCap Value	3.1	*1.6*	1.5	20	10.2	*7.8*	2.4	9	10.9	*7.6*	3.3	2	0.57%	0.86%
Vanguard Small Cap Index	-3.8	*-3.8*	0.0	23	9.6	*9.6*	0.0	35	8.6	*8.6*	0.0	43	0.05%	0.98%
Principal Small Cap Growth	-4.9	*-9.6*	4.7	42	13.9	*9.8*	4.1	38	11.3	*9.1*	2.2	29	1.00%	0.99%
Goldman Sachs Small Cap Value	-5.8	*-8.2*	2.4	30	7.3	*6.5*	0.8	20	7.1	*7.2*	-0.1	22	0.93%	0.99%
DFA International Small Cap Value	-11.2	*-4.6*	-6.6	67	2.6	*5.6*	-3.0	54	2.8	*4.8*	-2.0	34	0.68%	1.05%
Capital Research & Management American Funds EuroPacific Growth	1.1	*2.0*	-0.9	44	7.4	*7.4*	0.0	45	5.0	*4.9*	0.1	52	0.49%	0.90%
Vanguard Emerging Markets Stock Index	1.3	*1.2*	0.1	44	5.3	*5.4*	-0.1	51	2.0	*2.0*	0.0	58	0.14%	1.15%
Vanguard REIT Index	19.9	*19.9*	0.0	28	7.1	*6.6*	0.5	45	9.9	*9.1*	0.8	44	0.12%	0.91%
Baird Core Bond Plus	10.5	*10.1*	0.4	22	3.6	*3.2*	0.4	29	4.0	*3.6*	0.4	17	0.30%	0.45%
Columbia High Yield Bond	8.1	*6.4*	1.7	7	5.5	*6.1*	-0.6	48	5.3	*5.4*	-0.1	18	0.66%	0.73%
Vanguard Inflation Protected Securities	7.0	*7.1*	-0.1	21	2.0	*2.2*	-0.2	55	2.4	*2.4*	0.0	23	0.10%	0.45%
Vanguard Target Retirement Income Inv	6.8	*5.2*	1.6	17	5.1	*5.0*	0.1	51	4.6	*4.2*	0.4	30	0.12%	0.49%
Vanguard Target Retirement 2015	6.1	*6.5*	-0.4	19	6.2	*6.2*	0.0	47	5.3	*5.2*	0.1	30	0.13%	0.43%
Vanguard Target Retirement 2020	5.3	*6.5*	-1.2	49	7.1	*6.8*	0.3	24	6.0	*5.6*	0.4	9	0.13%	0.48%
Vanguard Target Retirement 2025	4.9	*6.2*	-1.3	45	7.8	*7.5*	0.3	25	6.4	*6.0*	0.4	8	0.13%	0.49%
Vanguard Target Retirement 2030	4.1	*5.4*	-1.3	53	8.3	*8.3*	0.0	36	6.7	*6.5*	0.2	21	0.14%	0.52%
Vanguard Target Retirement 2035	3.4	*4.2*	-0.8	55	8.8	*9.0*	-0.2	38	6.9	*6.8*	0.1	26	0.14%	0.54%
Vanguard Target Retirement 2040	2.6	*3.2*	-0.6	54	9.3	*9.3*	0.0	28	7.2	*7.0*	0.2	29	0.14%	0.55%
Vanguard Target Retirement 2045	2.1	*2.6*	-0.5	65	9.4	*9.4*	0.0	36	7.2	*7.0*	0.2	27	0.15%	0.55%
Vanguard Target Retirement 2050	2.1	*2.4*	-0.3	57	9.4	*9.3*	0.1	49	7.2	*6.9*	0.3	25	0.15%	0.55%
Vanguard Target Retirement 2055	2.1	*2.3*	-0.2	53	9.4	*9.3*	0.1	49	7.2	*6.8*	0.4	33	0.15%	0.54%
Vanguard Target Retirement 2060	2.1	*2.2*	-0.1	49	9.4	*9.2*	0.2	61	7.2	*6.7*	0.5	84	0.15%	0.54%
Vanguard Target Retirement 2065	2.1	*2.2*	-0.1	48	--	*9.2*		--	--	*6.7*		--	0.15%	0.54%
Guaranteed Income Fund	2.6	*2.3*	0.3	1	--	*1.5*		--	--	*1.0*		--	0.00%	0.19%

Used manager composite for trailing periods before client invested.

Plan Summary

Total Fund Aggregate

As of September 30, 2019

Asset Class Performance Summary

	Market Value 9/30/19 ($)	% of Portfolio	Market Value 6/30/19 ($)
Total Fund Aggregate	**42,557,021**	**100.0**	**42,139,997**
Large Cap Equity Assets	**8,162,205**	**19.2**	**8,287,244**
MidCap Equity Assets	**3,910,979**	**9.2**	**4,043,470**
Small Cap Equity Assets	**2,426,074**	**5.7**	**2,353,198**
International Developed Market Equity Assets	**1,675,077**	**3.9**	**1,677,100**
Emerging Market Equity Assets	**125,499**	**0.3**	**135,585**
Real Estate Assets	**726,919**	**1.7**	**668,102**
Fixed Income Assets	**3,954,279**	**9.3**	**3,773,530**
Balanced Assets	**15,606,973**	**36.7**	**15,126,241**
Cash	**5,969,016**	**14.0**	**6,075,527**

Total Fund Aggregate

As of September 30, 2019

Trailing Net Performance

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Total Fund Aggregate	**42,557,021**	**100.0**	**--**						
Large Cap Equity Assets	**8,162,205**	**19.2**	**19.2**						
Vanguard 500 Index	4,827,787	11.3	59.1	1.7	20.5	4.2	13.4	10.8	13.2
S&P 500				*1.7*	*20.6*	*4.3*	*13.4*	*10.8*	*13.2*
Large Cap MStar MF Rank				*36*	*35*	*33*	*35*	*28*	*28*
Touchstone Sands Institutional Growth	2,731,704	6.4	33.5	-5.3	20.2	-1.1	16.8	10.4	15.6
Russell 1000 Growth				*1.5*	*23.3*	*3.7*	*16.9*	*13.4*	*14.9*
Large Growth MStar MF Rank				*94*	*66*	*81*	*27*	*73*	*7*
Vanguard Equity Income	602,714	1.4	7.4	2.3	17.5	6.5	11.2	9.6	12.9
Russell 1000 Value				*1.4*	*17.8*	*4.0*	*9.4*	*7.8*	*11.5*
Large Value MStar MF Rank				*31*	*44*	*17*	*18*	*9*	*6*
MidCap Equity Assets	**3,910,979**	**9.2**	**9.2**						
Artisan MidCap	2,438,570	5.7	62.4	-3.8	29.1	5.4	12.9	10.0	13.8
Russell MidCap Growth				*-0.7*	*25.2*	*5.2*	*14.5*	*11.1*	*14.1*
Mid-Cap Growth MStar MF Rank				*84*	*13*	*32*	*63*	*59*	*33*
Vanguard MidCap Index	1,244,583	2.9	31.8	0.6	22.6	3.6	10.7	9.2	13.0
CRSP US Mid Cap TR USD				*0.6*	*22.7*	*3.7*	*10.7*	*9.2*	*13.1*
Mid Cap MStar MF Rank				*36*	*36*	*29*	*46*	*38*	*28*
Victory Sycamore MidCap Value	227,826	0.5	5.8	2.1	21.6	3.1	10.2	10.9	12.8
Russell MidCap Value				*1.2*	*19.5*	*1.6*	*7.8*	*7.6*	*12.3*
Mid-Cap Value MStar MF Rank				*28*	*17*	*20*	*9*	*2*	*4*

Returns and market values are preliminary.

Total Fund Aggregate

As of September 30, 2019

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Small Cap Equity Assets	**2,426,074**	**5.7**	**5.7**						
Vanguard Small Cap Index	1,793,686	4.2	73.9	-1.5	17.8	-3.8	9.6	8.6	12.4
CRSP US Small Cap TR USD				*-1.5*	*17.8*	*-3.8*	*9.6*	*8.6*	*12.7*
Small Cap MStar MF Rank				*43*	*31*	*23*	*35*	*43*	*31*
Principal Small Cap Growth	307,834	0.7	12.7	-6.5	20.8	-4.9	13.9	11.3	14.3
Russell 2000 Growth				*-4.2*	*15.3*	*-9.6*	*9.8*	*9.1*	*12.2*
Small Growth MStar MF Rank				*77*	*37*	*42*	*38*	*29*	*23*
Goldman Sachs Small Cap Value	324,554	0.8	13.4	-0.9	15.0	-5.8	7.3	7.1	11.6
Russell 2000 Value				*-0.6*	*12.8*	*-8.2*	*6.5*	*7.2*	*10.1*
Small Value MStar MF Rank				*51*	*32*	*30*	*20*	*22*	*5*
International Developed Market Equity Assets	**1,675,077**	**3.9**	**3.9**						
DFA International Small Cap Value	1,310,854	3.1	78.3	-0.6	8.2	-11.2	2.6	2.8	5.8
MSCI World ex USA SMID Net USD				*-0.5*	*13.2*	*-4.6*	*5.6*	*4.8*	*6.4*
Foreign Small/Mid Value MStar MF Rank				*13*	*34*	*67*	*54*	*34*	*51*
Capital Research & Management American Funds EuroPacific Growth	364,223	0.9	21.7	-1.6	15.7	1.1	7.4	5.0	6.1
MSCI ACWI ex USA Growth				*-0.8*	*16.2*	*2.0*	*7.4*	*4.9*	*5.8*
Foreign Large Growth MStar MF Rank				*61*	*67*	*44*	*45*	*52*	*65*
Emerging Market Equity Assets	**125,499**	**0.3**	**0.3**						
Vanguard Emerging Markets Stock Index	125,499	0.3	100.0	-3.6	8.1	1.3	5.3	2.0	3.2
Spliced Emerging Markets Index				*-3.6*	*8.1*	*1.2*	*5.4*	*2.0*	*3.2*
Diversified Emerging Mkts MStar MF Rank				*57*	*58*	*44*	*51*	*58*	*69*

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Total Fund Aggregate

As of September 30, 2019

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Real Estate Assets	**726,919**	**1.7**	**1.7**						
Vanguard REIT Index	726,919	1.7	100.0	7.4	28.1	19.9	7.1	9.9	12.9
Vanguard REIT Benchmark				*7.4*	*28.2*	*19.9*	*6.6*	*9.1*	*11.8*
Real Estate MStar MF Rank				*53*	*47*	*28*	*45*	*44*	*42*
Fixed Income Assets	**3,954,279**	**9.3**	**9.3**						
Baird Core Bond Plus	2,411,321	5.7	61.0	2.3	9.5	10.5	3.6	4.0	5.0
BBgBarc US Universal TR				*2.1*	*8.8*	*10.1*	*3.2*	*3.6*	*4.1*
Intermediate Core Plus Bond MStar MF Rank				*31*	*27*	*22*	*29*	*17*	*19*
Columbia High Yield Bond	1,370,473	3.2	34.7	2.3	14.0	8.1	5.5	5.3	7.5
ICE BofAML US High Yield Cash Pay Constrained TR				*1.3*	*11.5*	*6.4*	*6.1*	*5.4*	*7.8*
High Yield Bond MStar MF Rank				*2*	*1*	*7*	*48*	*18*	*31*
Vanguard Inflation Protected Securities	172,484	0.4	4.4	1.4	7.6	7.0	2.0	2.4	3.4
BBgBarc US TIPS TR				*1.3*	*7.6*	*7.1*	*2.2*	*2.4*	*3.5*
Inflation-Protected Bond MStar MF Rank				*25*	*34*	*21*	*55*	*23*	*24*
Balanced Assets	**15,606,973**	**36.7**	**36.7**						
Vanguard Target Retirement Income Inv	1,752,981	4.1	11.2	1.5	10.3	6.8	5.1	4.6	5.8
Morningstar Lifetime Mod Incm TR USD				*0.9*	*9.7*	*5.2*	*5.0*	*4.2*	*5.6*
Target Date Retirement Mstar MF Rank				*25*	*57*	*17*	*51*	*30*	*43*
Vanguard Target Retirement 2015	1,520	0.0	0.0	1.4	11.3	6.1	6.2	5.3	7.3
Morningstar Lifetime Mod 2015 TR USD				*1.3*	*12.3*	*6.5*	*6.2*	*5.2*	*7.0*
Target Date 2015 Mstar MF Rank				*19*	*55*	*19*	*47*	*30*	*41*

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Total Fund Aggregate

As of September 30, 2019

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Vanguard Target Retirement 2020	4,846,689	11.4	31.1	1.2	12.6	5.3	7.1	6.0	8.0
Morningstar Lifetime Mod 2020 TR USD				*1.4*	*13.3*	*6.5*	*6.8*	*5.6*	*7.6*
Target Date 2020 Mstar MF Rank				*40*	*32*	*49*	*24*	*9*	*4*
Vanguard Target Retirement 2025	30,659	0.1	0.2	1.1	13.7	4.9	7.8	6.4	8.5
Morningstar Lifetime Mod 2025 TR USD				*1.4*	*14.2*	*6.2*	*7.5*	*6.0*	*8.3*
Target Date 2025 Mstar MF Rank				*44*	*27*	*45*	*25*	*8*	*3*
Vanguard Target Retirement 2030	5,772,382	13.6	37.0	0.9	14.3	4.1	8.3	6.7	8.9
Morningstar Lifetime Mod 2030 TR USD				*1.2*	*15.1*	*5.4*	*8.3*	*6.5*	*8.9*
Target Date 2030 Mstar MF Rank				*49*	*55*	*53*	*36*	*21*	*14*
Vanguard Target Retirement 2035	30,855	0.1	0.2	0.7	14.8	3.4	8.8	6.9	9.3
Morningstar Lifetime Mod 2035 TR USD				*0.9*	*15.8*	*4.2*	*9.0*	*6.8*	*9.3*
Target Date 2035 Mstar MF Rank				*46*	*70*	*55*	*38*	*26*	*10*
Vanguard Target Retirement 2040	2,294,345	5.4	14.7	0.5	15.4	2.6	9.3	7.2	9.6
Morningstar Lifetime Mod 2040 TR USD				*0.7*	*16.1*	*3.2*	*9.3*	*7.0*	*9.4*
Target Date 2040 Mstar MF Rank				*51*	*67*	*54*	*28*	*29*	*13*
Vanguard Target Retirement 2045	10,047	0.0	0.1	0.3	15.7	2.1	9.4	7.2	9.7
Morningstar Lifetime Mod 2045 TR USD				*0.5*	*16.2*	*2.6*	*9.4*	*7.0*	*9.4*
Target Date 2045 Mstar MF Rank				*66*	*76*	*65*	*36*	*27*	*8*
Vanguard Target Retirement 2050	633,461	1.5	4.1	0.3	15.7	2.1	9.4	7.2	9.7
Morningstar Lifetime Mod 2050 TR USD				*0.4*	*16.1*	*2.4*	*9.3*	*6.9*	*9.3*
Target Date 2050 Mstar MF Rank				*55*	*73*	*57*	*49*	*25*	*16*
Vanguard Target Retirement 2055	17,302	0.0	0.1	0.3	15.7	2.1	9.4	7.2	--
Morningstar Lifetime Mod 2055 TR USD				*0.3*	*16.0*	*2.3*	*9.3*	*6.8*	*9.2*
Target Date 2055 Mstar MF Rank				*51*	*74*	*53*	*49*	*33*	*--*

Returns and market values are preliminary.

Total Fund Aggregate

As of September 30, 2019

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Vanguard Target Retirement 2060	216,107	0.5	1.4	0.3	15.7	2.1	9.4	7.2	--
Morningstar Lifetime Mod 2060 TR USD				*0.3*	*15.9*	*2.2*	*9.2*	*6.7*	*9.1*
Target Date 2060+ Mstar MF Rank				*44*	*88*	*49*	*61*	*84*	*--*
Vanguard Target Retirement 2065	625	0.0	0.0	0.3	15.7	2.1	--	--	--
Morningstar Lifetime Mod 2060 TR USD				*0.3*	*15.9*	*2.2*	*9.2*	*6.7*	*9.1*
Target Date 2060+ Mstar MF Rank				*45*	*87*	*48*	*--*	*--*	*--*
Cash	**5,969,016**	**14.0**	**14.0**						
Guaranteed Income Fund	5,969,016	14.0	100.0	0.6	1.9	2.6	--	--	--
91 Day T-Bills				*0.5*	*1.7*	*2.3*	*1.5*	*1.0*	*0.5*
Prime Money Market Mstar MF Rank				*2*	*1*	*1*	*--*	*--*	*--*

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Benchmark History
As of September 30, 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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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%.

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

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.