

December 31, 2014



## **Mendocino County Employees' Retirement Association**

**Investment Measurement Service  
Quarterly Review**

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### December 31, 2014

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## Downshifting or Disappointing?

### U.S. ECONOMY

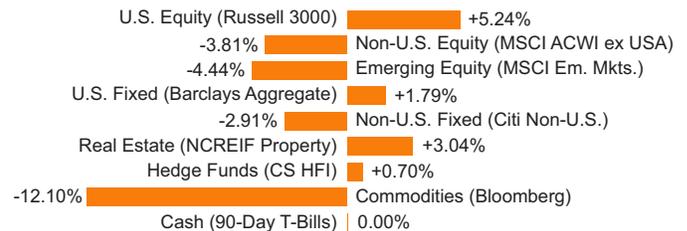
**2** GDP gained an unexpectedly moderate 2.6% in the fourth quarter, perhaps an inevitable downshift to a more sustainable rate of growth. Oil prices plunged, and the windfall to consumers began showing up in fourth-quarter spending.

## The United States of Alpha

### FUND SPONSOR

**4** According to the **Callan Fund Sponsor Database**, median quarterly performance for all fund types was slightly positive. Endowments/foundations and public funds were up 1.82% and 1.86%, respectively, while corporates and Taft-Hartley funds both gained 2.01%.

## Broad Market Quarterly Returns



Sources: Barclays, Citigroup, Credit Suisse Hedge Index, Merrill Lynch, MSCI, NCREIF, Russell Investment Group, S&P Dow Jones

## American Dream

### U.S. EQUITY

**6** U.S. equities ended the year on a strong note. The **S&P 500 Index** posted positive quarterly (+4.93%) and annual returns (+13.69%). Tailwinds included low inflation, low interest rates, and low energy prices.

## Wary Eyes on 2015

### NON-U.S. EQUITY

**9** Market woes and tumbling oil prices weighed on international markets, sending the **MSCI ACWI ex USA Index** down 3.81%. A tough December hit the commodities-dependent **MSCI Emerging Markets Index** (-4.44%) worse than its developed counterpart (**MSCI World ex USA Index**: -3.69%).

## Ending on a High Note

### U.S. FIXED INCOME

**12** The U.S. bond markets inched forward as Treasuries, investment-grade corporates, and securitized bonds all posted positive returns. The **Barclays Aggregate Index** climbed 1.79%, while the **Barclays Corporate High Yield Index** dropped 1.00%.

## Deflation Demons

### NON-U.S. FIXED INCOME

**15** Deflationary concerns, weakening currencies, and further bifurcation among world economies continued to weigh on foreign bond returns. The unhedged **Citi Non-U.S. World Government Bond Index (WGBI)** tumbled 2.91%.

## Onward and Upward

### REAL ESTATE

**17** The **NCREIF Property Index** advanced 3.04% for the quarter and 11.82% for the year. The Index tracked 282 transactions representing \$8.0 billion during the quarter, well ahead of the \$4.9 billion 10-year quarterly transaction average.

## Momentum Builds

### PRIVATE EQUITY

**19** Velocity in the private equity market continued in 2014, driven by strong liquidity and an active fundraising environment. The only measure that dipped for the year was the announced dollar volume of buy-outs, which is a volatile, transaction-dependent figure.

## Shake It Off

### HEDGE FUNDS

**20** Robust supply and fragile demand stressed the capital markets. The **Credit Suisse Hedge Fund Index (CS HFI)** rose 0.70%, while the median manager in the **Callan Hedge Fund-of-Funds Database** advanced 0.70%, net of all fees.

## Tough Third Quarter for DC

### DEFINED CONTRIBUTION

**21** In the third quarter of 2014, the **Callan DC Index™** saw its first loss since mid-2012, declining 1.08% as the equity markets—particularly small cap and non-U.S. equities—struggled.

# Downshifting or Disappointing?

U.S. ECONOMY | Jay Kloepfer

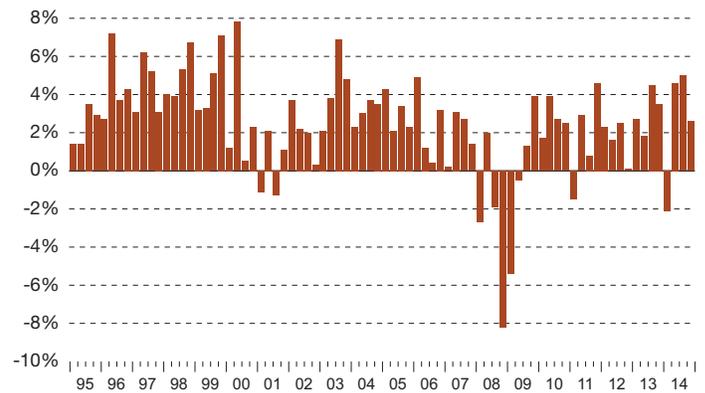
Growth in the U.S. economy went on a bit of a wild ride this past year. GDP surprised everyone by falling in the first quarter, climbing sharply in the second and third quarters, and then finishing the year with an unexpectedly moderate 2.6% gain in the fourth quarter. Strong upward revisions to GDP in the second and third quarters, to 4.6% and 5%, respectively, buoyed hopes that there would be another report of robust growth in the fourth quarter. While disappointing to those looking for another 5% quarter, the 2.6% gain can be viewed as an inevitable downshift to a more sustainable rate of growth, given the global headwinds buffeting the U.S. economy.

Oil prices plunged during the second half of 2014, and the windfall to consumers began showing up in fourth-quarter spending. With the average household estimated to spend over \$3,000 per year on gasoline, a drop in the average price of gas from north of \$3.50 per gallon to \$2.50 per gallon adds \$1,000 per year back into consumers' wallets. Stated another way, each \$10/barrel drop in the price of oil creates an estimated \$23 billion gasoline dividend for consumers; if gas prices hold at around \$2.50 for the year, this dividend would amount to about \$125 billion.

After lagging the robust overall GDP growth rates recorded in the second and third quarters, consumption—fueled by the gas dividend—surged 4.3% in the fourth quarter, well ahead of GDP. Durable goods notched another strong quarter, gaining 7.4% after rising 14.1% in the second quarter and 9.2% in the third. However, the return of growth in services (+3.7%) really helped push consumption up and also nudged total GDP. Countering robust consumption, the downshift in GDP growth reflected an upturn in imports, which are a subtraction in the calculation of GDP. Additional contributing factors included a marked slowdown in nonresidential fixed investment (primarily equipment), softening growth in exports, and a sharp decline (-7.5%) in federal government spending—in particular, a 12.5% drop in defense spending.

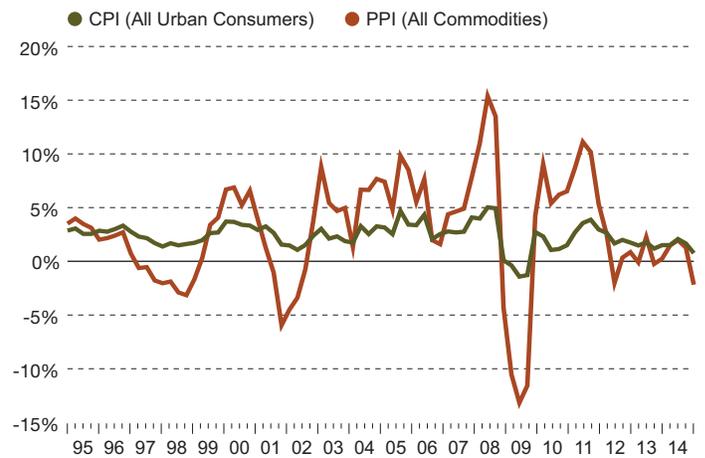
Quarterly Real GDP Growth

(20 Years)



Source: Bureau of Economic Analysis

Inflation Year-Over-Year



Source: Bureau of Labor Statistics

The U.S. dollar rose against the currencies of most of its trading partners as prospects for growth faded in the developed markets and the euro zone embarked on another round of quantitative easing. The rising dollar and falling oil prices have begun to show up in U.S. trade figures and could become more pronounced as 2015 unfolds. Both falling oil prices and the strong dollar lower the cost of imports in U.S. dollars, which has already spurred greater demand. Whether the demand will continue to push the overall value of imports up is unclear.

The strong dollar also raised the cost of U.S. goods overseas. The price increase, combined with renewed weakness in the euro zone economy, slowed U.S. exports in the fourth quarter.

The plunge in oil prices is showing up in headline CPI and the consumption deflator used by the Federal Reserve for policy guidance. The CPI-All Urban—the most widely watched measure of consumer price inflation—turned negative on a quarterly basis in both the third and fourth quarters of 2014. It slipped to an annual rate of less than 1% in the fourth quarter, the lowest since 2009. The consumption deflator turned negative on an annual basis in the fourth quarter, raising questions about whether we are witnessing the onset of deflation. Subtracting out food and energy, however, the core measures of both CPI and the consumption deflator remain closer to the Fed's target of 2%, although both measures drifted down during the second half of 2014. The specter of deflation looms much larger in the euro zone, where the overall Harmonized Index of Consumer Prices as released by the ECB has fallen steadily from 3% at the end of 2010 to just below zero in December 2014. Rates for all countries in the euro zone are below 1%, with the greatest decline of 2.5% measured in Greece.

On the positive side of the economic ledger, the job market has become increasingly robust, generating new jobs at a rate close to 200,000 per month for much of 2014. The unemployment rate fell below 6% in the fourth quarter, once the target rate for the Federal Reserve's policy on monetary easing. Job growth has clearly contributed to the decline in unemployment, but a persistent and troubling decline in labor force participation has been part of the reason as well, as discouraged work-

**The Long-Term View**

| Index                    | 2014<br>4th Qtr | Periods ended December 31, 2014 |       |        |        |
|--------------------------|-----------------|---------------------------------|-------|--------|--------|
|                          |                 | Year                            | 5 Yrs | 10 Yrs | 25 Yrs |
| <b>U.S. Equity</b>       |                 |                                 |       |        |        |
| Russell 3000             | 5.24            | 12.56                           | 15.63 | 7.94   | 9.78   |
| S&P 500                  | 4.93            | 13.69                           | 15.45 | 7.67   | 9.62   |
| Russell 2000             | 9.73            | 4.89                            | 15.55 | 7.77   | 9.75   |
| <b>Non-U.S. Equity</b>   |                 |                                 |       |        |        |
| MSCI EAFE                | -3.57           | -4.90                           | 5.33  | 4.43   | 4.31   |
| MSCI EM                  | -4.44           | -1.82                           | 2.11  | 8.78   | 8.83   |
| S&P Ex-U.S. Small Cap    | -2.59           | -3.42                           | 8.52  | 6.84   | 5.48   |
| <b>Fixed Income</b>      |                 |                                 |       |        |        |
| Barclays Aggregate       | 1.79            | 5.97                            | 4.45  | 4.71   | 6.49   |
| 3-Month T-Bill           | 0.00            | 0.03                            | 0.09  | 1.54   | 3.24   |
| Barclays Long G/C        | 5.60            | 19.31                           | 9.81  | 7.36   | 8.49   |
| Citi Non-U.S. Govt       | -2.91           | -2.68                           | 0.85  | 2.64   | 6.21   |
| <b>Real Estate</b>       |                 |                                 |       |        |        |
| NCREIF Property          | 3.04            | 11.82                           | 12.13 | 8.38   | 7.61   |
| FTSE NAREIT Equity       | 14.20           | 30.14                           | 16.88 | 8.31   | 11.25  |
| <b>Alternatives</b>      |                 |                                 |       |        |        |
| CS Hedge Fund            | 0.70            | 4.13                            | 5.88  | 5.82   | -      |
| Cambridge PE*            | -               | 23.46                           | 17.80 | 13.72  | 15.50  |
| Bloomberg Commodity      | -12.10          | -17.01                          | -5.53 | -1.86  | -      |
| Gold Spot Price          | -2.27           | -1.51                           | 1.55  | 10.45  | 4.38   |
| <b>Inflation – CPI-U</b> | -1.35           | 0.76                            | 1.69  | 2.12   | 2.52   |

\*Private equity data is time-weighted return series as of June 30, 2014.

Sources: Barclays, Bloomberg, Citigroup, Credit Suisse, FTSE, MSCI, NCREIF, Russell Investment Group, Standard & Poor's, Thomson/Cambridge.

ers have withdrawn from the labor force. Despite the 200,000 per month gains, wage increase pressures have yet to appear, and the employment cost index has remained subdued at an annual rate close to 2%.

**Recent Quarterly Indicators**

| Economic Indicators                       | 4Q14  | 3Q14  | 2Q14  | 1Q14  | 4Q13  | 3Q13  | 2Q13  | 1Q13  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Employment Cost–Total Compensation Growth | 2.2%  | 2.2%  | 2.0%  | 1.8%  | 2.0%  | 1.9%  | 1.9%  | 1.9%  |
| Nonfarm Business–Productivity Growth      | 0.9%* | 2.3%  | 2.9%  | -4.5% | 3.3%  | 3.6%  | 0.5%  | 0.8%  |
| GDP Growth                                | 2.6%  | 5.0%  | 4.6%  | -2.1% | 3.5%  | 4.5%  | 1.8%  | 2.7%  |
| Manufacturing Capacity Utilization        | 77.5% | 77.1% | 76.2% | 78.4% | 76.4% | 76.0% | 75.9% | 76.0% |
| Consumer Sentiment Index (1966=100)       | 89.8  | 83.0  | 82.8  | 80.9  | 76.9  | 81.6  | 81.7  | 76.7  |

\*Estimate

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Reuters/University of Michigan

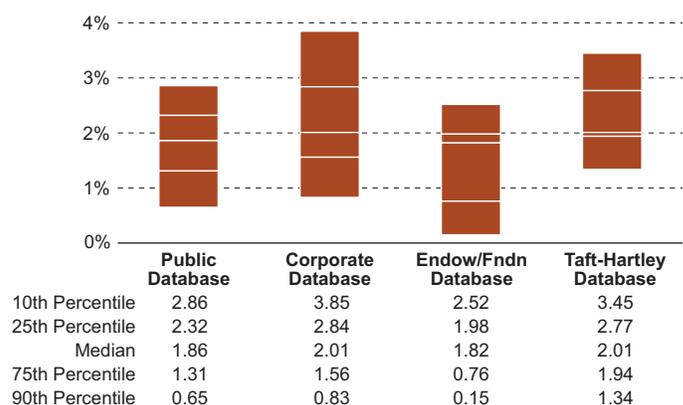
# The United States of Alpha

FUND SPONSOR | Irina Sushch

In general, the U.S. public markets had a solid quarter. Despite low inflation, low interest rates, and crashing energy prices, the economic picture in the U.S. improved relative to the euro zone and emerging markets. U.S. equities significantly outperformed non-U.S. equities (**Russell 3000 Index**: +5.24%; **MSCI ACWI ex USA Index**: -3.81%). Yield curves flattened for the fourth consecutive quarter, and global demand rose for U.S. bonds. The **Barclays Aggregate Index** gained 1.79% while the **Citi Non-U.S. World Government Bond Index-Unhedged** dropped 2.91%.

As seen in the Callan Fund Sponsor Quarterly Returns chart, all fund types managed to generate positive, albeit small, returns. Median performance was split into two groups. Endowments/foundations and public funds were very close, gaining 1.82% and 1.86%, respectively. Corporates and Taft-Hartley funds were about 20 basis points higher, both advancing 2.01% for the quarter. Performance at the top (10th percentile) exhibited a much wider dispersion, with corporates in first place with 3.85% and endowments/foundations in last with 2.52%. Dispersion was also wide in the bottom decile, this time with Taft-Hartley funds (+1.34%) outperforming their peers and endowments/foundations once again bringing up the rear (+0.15%).

## Callan Fund Sponsor Quarterly Returns



Source: Callan

The differing performance among the fund types can be partially explained by asset allocations. Corporate and Taft-Hartley funds' relative outperformance was partially due to higher exposures to U.S. equity and U.S. fixed income. While Taft-Hartley funds experienced the tightest distribution, corporate funds had the widest, as some employ liability-driven investment (LDI) programs.

The fund sponsor performance table compares the effect of asset allocation decisions over longer time periods. Taft-Hartley

## Database Median and Index Returns\* for Periods ended December 31, 2014

| Fund Sponsor                          | Quarter | Year | 3 Years | 5 Years | 10 Years | 15 Years |
|---------------------------------------|---------|------|---------|---------|----------|----------|
| Public Database                       | 1.86    | 6.09 | 11.31   | 9.49    | 6.52     | 5.70     |
| Corporate Database                    | 2.01    | 7.08 | 11.05   | 9.81    | 6.67     | 5.75     |
| Endowments/Foundations Database       | 1.82    | 5.28 | 10.75   | 8.84    | 6.31     | 5.46     |
| Taft-Hartley Database                 | 2.01    | 6.83 | 11.90   | 9.94    | 6.26     | 5.62     |
| Diversified Manager                   | Quarter | Year | 3 Years | 5 Years | 10 Years | 15 Years |
| Asset Allocator Style                 | 2.94    | 7.96 | 11.55   | 9.70    | 6.99     | 6.62     |
| U.S. Balanced Database                | 2.07    | 6.52 | 12.82   | 10.09   | 6.90     | 6.60     |
| Global Balanced Database              | 0.40    | 4.18 | 8.59    | 7.44    | 6.78     | 6.65     |
| 60% Russell 3000 + 40% Barclays Agg   | 3.86    | 9.90 | 13.23   | 11.42   | 7.06     | 5.66     |
| 60% MSCI World + 40% Barclays Gbl Agg | 0.19    | 3.19 | 9.44    | 7.32    | 5.32     | 4.24     |

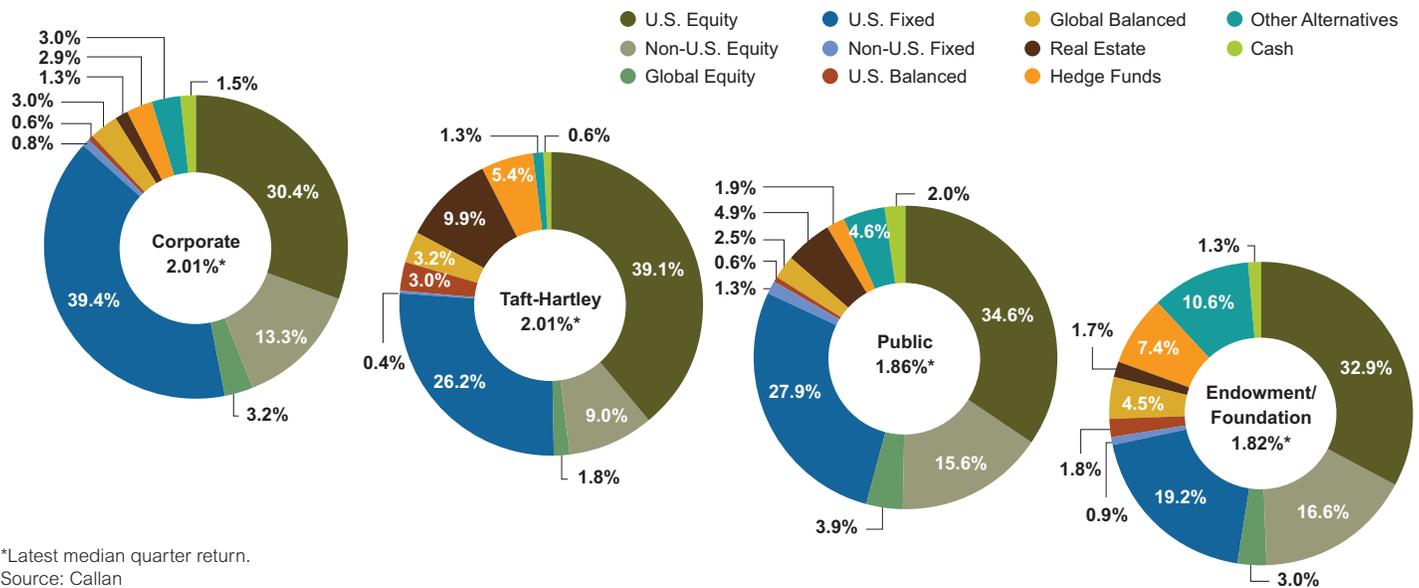
\*Returns less than one year are not annualized.

Sources: Callan, Barclays, MSCI, Russell Investment Group

plans held on to the lead in the mid-term (+11.90% and +9.94% for trailing three- and five-year periods, respectively), due to strong performance in recent quarters given high allocations to U.S. equity. Corporates retained the top spot in the trailing 10- and 15-year periods (+6.67% and +5.75%, respectively). On the other hand, higher allocations to international equity, hedge funds, and other alternatives have hurt endowments and foundations; they continue to be the worst performer over every period except the trailing 10 years.

Of Callan's balanced manager groups, the 60% Russell 3000 + 40% Barclays Aggregate (+3.86%) once again greatly outperformed the 60% MSCI World + 40% Barclays Global Aggregate benchmark (+0.19%), giving U.S. allocations a lead over global in every time period. Callan's balanced manager groups are behaving in a similar fashion: U.S. balanced managers outperformed their global counterparts in every time period except the trailing 15 years (however, that gap is only five basis points).

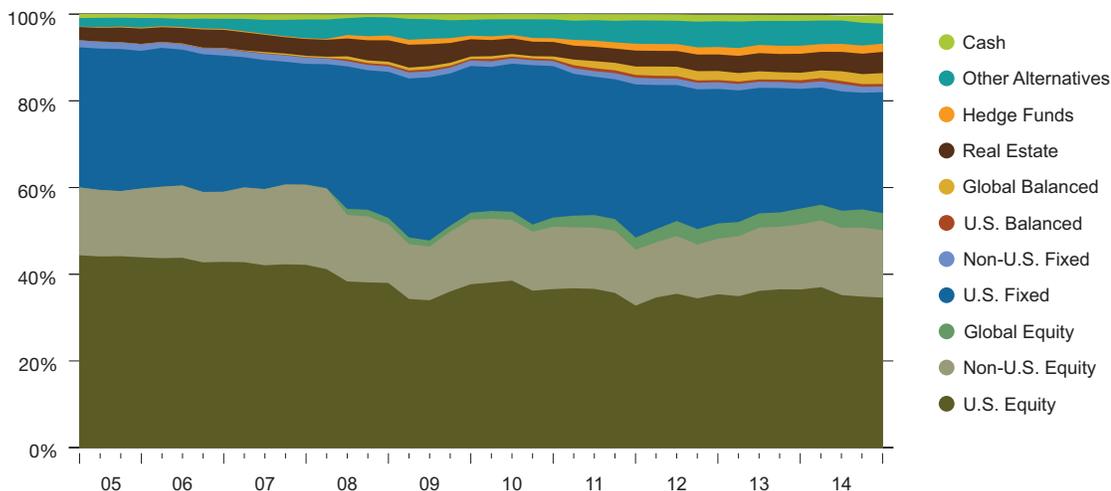
Callan Fund Sponsor Average Asset Allocation



\*Latest median quarter return. Source: Callan

Callan Public Fund Database Average Asset Allocation

(10 Years)



Source: Callan

# American Dream

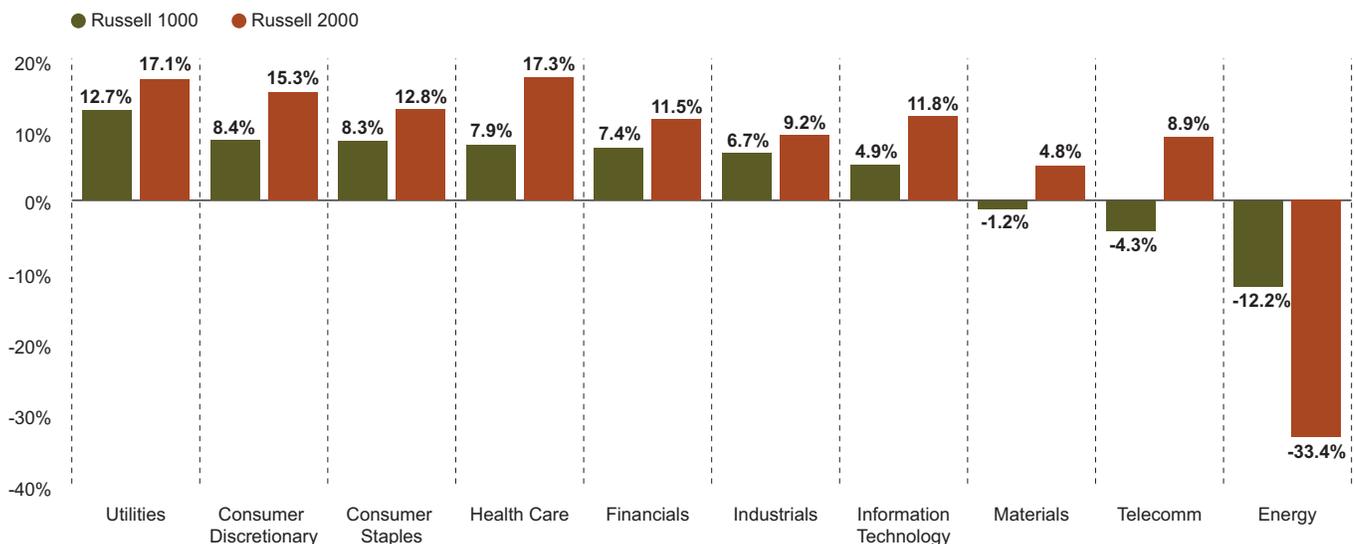
U.S. EQUITY | Lauren Mathias, CFA

U.S. equities ended the year on a strong note. The **S&P 500 Index** posted positive quarterly (+4.93%) and annual (+13.69%) returns. The U.S. economy's tailwinds included low inflation, low interest rates, and low energy prices. The unemployment rate continued to decline and wage growth ticked up. Corporate profits in the U.S. remained solid despite the strengthening U.S. dollar, muted global economic growth, and weak commodity prices. With this backdrop, a lopsided market emerged for U.S. equities. Energy sector returns collapsed in tandem with oil prices; REITs posted the best results of all U.S. indices on the heels of low interest rates. This dichotomy proved challenging to the majority of active managers, whose exposures were on the wrong side of the seesaw. Additionally, the difference between the winning and losing stocks was narrow, further challenging stock pickers. With increased consumer confidence and strong U.S. GDP growth (third-quarter GDP was revised up to 5%), 2014 was a banner year for U.S. equities. Can U.S. markets keep up these dreamy results, or will 2015 be a wakeup call?

Despite solid returns (**Russell 1000 Index**: +4.88%), large cap stocks took the back seat for the quarter. Small (**Russell 2000 Index**: +9.73%) and mid cap (**Russell Midcap Index**: +5.94%) came back strong; small cap growth stocks trumped value for the fifth time in the last six years. Micro cap beat all other cap ranges in the fourth quarter (**Russell Microcap Index**: +11.19%) but still trailed for the year. The distinction between growth and value was narrow (**Russell 1000 Growth Index**: +4.78%; **Russell 1000 Value Index**: +4.98%). Large value slightly edged out large growth thanks to higher exposure to the Utilities sector and less to Energy. In small cap, growth beat value as the highest return-on-equity companies did well while those with lower stock prices declined.

Small and large cap sectors posted mostly positive quarterly results. The exception was Energy, which faced challenges across capitalizations as oil and commodity prices continued to decline. Utilities added significant value for the quarter and the year as investors' search for income persisted. Health Care

## Economic Sector Quarterly Performance



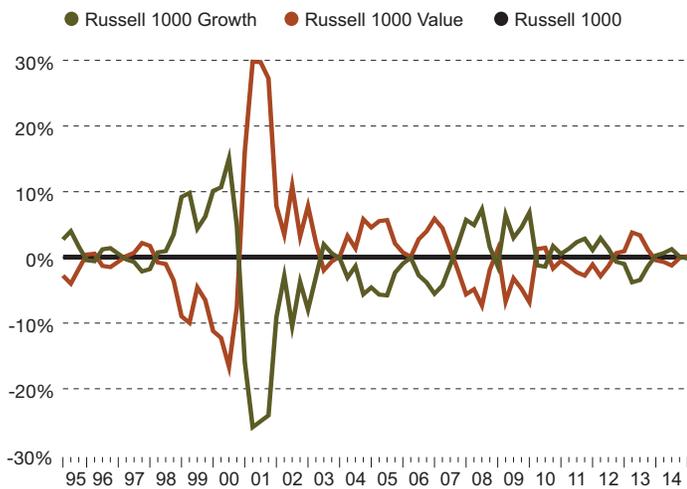
Source: Russell Investment Group

was also strong as a result of biotechnology and pharmaceutical companies. Although small cap stocks outperformed large caps in the fourth quarter, for the year larger was better—and the difference between the two was the widest since 1998.

Though the U.S. equity market experienced strong absolute returns, active management was incredibly challenged. Large

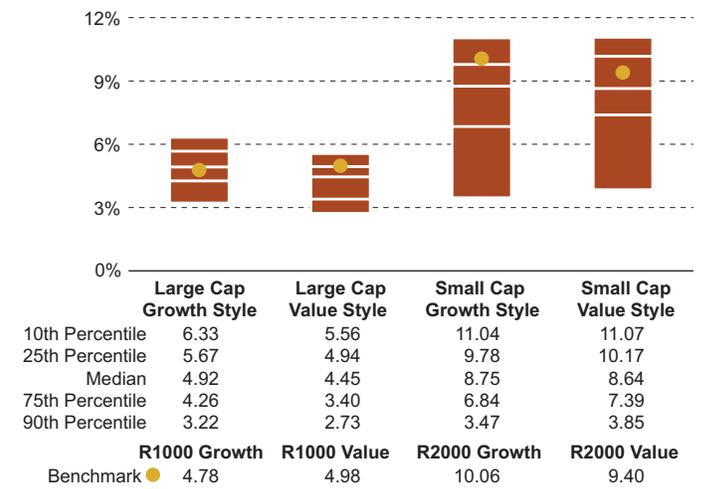
cap active funds had their worst year versus the Russell 1000 Index in a decade. The fourth quarter showed that investors preferred companies that feature low beta, high return on equity, and larger market capitalizations. For the year, global growth concerns resulted in elevated volatility, which fed into the search for safety and the outperformance of higher-quality and lower-risk securities.

**Rolling One-Year Relative Returns** (vs. Russell 1000)



Source: Russell Investment Group

**Callan Style Group Quarterly Returns**



Sources: Callan, Russell Investment Group

**U.S. Equity Index Characteristics as of December 31, 2014**

|                            | S&P 500 | Rus 3000 | Rus 1000 | Rus Midcap | Rus 2500 | Rus 2000 |
|----------------------------|---------|----------|----------|------------|----------|----------|
| Cap Range Min (\$mm)       | 2,467   | 14       | 204      | 204        | 17       | 14       |
| Cap Range Max (\$bn)       | 647.36  | 665.55   | 665.55   | 32.72      | 13.79    | 7.26     |
| Number of Issues           | 502     | 3,053    | 1,042    | 845        | 2,540    | 2,011    |
| % of Russell 3000          | 80%     | 100%     | 92%      | 28%        | 18%      | 8%       |
| Wtd Avg Mkt Cap (\$bn)     | 125.06  | 102.64   | 110.99   | 12.78      | 4.03     | 1.88     |
| Price/Book Ratio           | 2.7     | 2.7      | 2.7      | 2.6        | 2.3      | 2.1      |
| Forward P/E Ratio          | 16.4    | 16.9     | 16.7     | 18.6       | 19.0     | 20.4     |
| Dividend Yield             | 2.0%    | 1.9%     | 1.9%     | 1.6%       | 1.4%     | 1.3%     |
| 5-Yr Earnings (forecasted) | 11.1%   | 11.9%    | 11.6%    | 13.2%      | 13.8%    | 15.1%    |

Sources: Russell Investment Group, Standard & Poor's.

## U.S. EQUITY (Continued)

### Style Median and Index Returns\* for Periods ended December 31, 2014

| <b>Large Cap Equity</b>        | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
|--------------------------------|----------------|--------------|----------------|----------------|-----------------|-----------------|
| <b>Large Cap Core Style</b>    | <b>5.12</b>    | <b>13.66</b> | <b>20.89</b>   | <b>15.42</b>   | <b>8.32</b>     | <b>5.41</b>     |
| <b>Large Cap Growth Style</b>  | <b>4.92</b>    | <b>11.83</b> | <b>20.75</b>   | <b>15.30</b>   | <b>8.62</b>     | <b>3.62</b>     |
| <b>Large Cap Value Style</b>   | <b>4.45</b>    | <b>12.26</b> | <b>20.95</b>   | <b>15.23</b>   | <b>7.78</b>     | <b>7.70</b>     |
| <b>Aggressive Growth Style</b> | <b>6.14</b>    | <b>3.98</b>  | <b>18.40</b>   | <b>14.25</b>   | <b>9.03</b>     | <b>3.55</b>     |
| <b>Contrarian Style</b>        | <b>4.51</b>    | <b>13.09</b> | <b>21.36</b>   | <b>15.26</b>   | <b>8.19</b>     | <b>9.35</b>     |
| <b>Yield-Oriented Style</b>    | <b>4.05</b>    | <b>11.93</b> | <b>18.11</b>   | <b>14.76</b>   | <b>8.36</b>     | <b>8.81</b>     |
| Russell 3000                   | 5.24           | 12.56        | 20.51          | 15.63          | 7.94            | 4.82            |
| Russell 1000                   | 4.88           | 13.24        | 20.62          | 15.64          | 7.96            | 4.62            |
| Russell 1000 Growth            | 4.78           | 13.05        | 20.26          | 15.81          | 8.49            | 2.21            |
| Russell 1000 Value             | 4.98           | 13.45        | 20.89          | 15.42          | 7.30            | 6.62            |
| S&P Composite 1500             | 5.20           | 13.08        | 20.32          | 15.58          | 7.88            | 4.81            |
| S&P 500                        | 4.93           | 13.69        | 20.41          | 15.45          | 7.67            | 4.24            |
| NYSE                           | 1.85           | 6.75         | 19.23          | 13.16          | 7.65            | 6.03            |
| Dow Jones Industrials          | 5.20           | 10.04        | 16.29          | 14.22          | 7.91            | 5.43            |
| <b>Mid Cap Equity</b>          | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Mid Cap Core Style</b>      | <b>5.89</b>    | <b>12.55</b> | <b>22.57</b>   | <b>18.32</b>   | <b>10.26</b>    | <b>10.53</b>    |
| <b>Mid Cap Growth Style</b>    | <b>5.29</b>    | <b>8.89</b>  | <b>19.66</b>   | <b>16.11</b>   | <b>9.97</b>     | <b>7.20</b>     |
| <b>Mid Cap Value Style</b>     | <b>5.24</b>    | <b>10.74</b> | <b>20.85</b>   | <b>16.53</b>   | <b>9.99</b>     | <b>11.88</b>    |
| Russell Midcap                 | 5.94           | 13.22        | 21.40          | 17.19          | 9.56            | 8.90            |
| S&P MidCap 400                 | 6.35           | 9.77         | 19.99          | 16.54          | 9.70            | 9.65            |
| <b>Small Cap Equity</b>        | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Small Cap Core Style</b>    | <b>9.32</b>    | <b>7.49</b>  | <b>21.10</b>   | <b>17.73</b>   | <b>9.04</b>     | <b>10.72</b>    |
| <b>Small Cap Growth Style</b>  | <b>8.75</b>    | <b>3.53</b>  | <b>20.30</b>   | <b>17.23</b>   | <b>9.73</b>     | <b>6.32</b>     |
| <b>Small Cap Value Style</b>   | <b>8.64</b>    | <b>5.80</b>  | <b>20.17</b>   | <b>16.60</b>   | <b>9.00</b>     | <b>12.80</b>    |
| Russell 2000                   | 9.73           | 4.89         | 19.21          | 15.55          | 7.77            | 7.38            |
| S&P SmallCap 600               | 9.85           | 5.76         | 20.24          | 17.27          | 9.02            | 9.87            |
| NASDAQ                         | 5.70           | 14.75        | 23.69          | 17.28          | 9.21            | 1.85            |
| <b>Smid Cap Equity</b>         | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Smid Cap Broad Style</b>    | <b>6.45</b>    | <b>7.31</b>  | <b>19.30</b>   | <b>16.76</b>   | <b>9.68</b>     | <b>10.34</b>    |
| <b>Smid Cap Growth Style</b>   | <b>5.95</b>    | <b>5.74</b>  | <b>18.98</b>   | <b>16.90</b>   | <b>9.26</b>     | <b>8.31</b>     |
| <b>Smid Cap Value Style</b>    | <b>6.53</b>    | <b>7.46</b>  | <b>20.87</b>   | <b>16.42</b>   | <b>9.96</b>     | <b>13.03</b>    |
| Russell 2500                   | 6.77           | 7.07         | 19.97          | 16.36          | 8.72            | 8.59            |
| S&P 1000                       | 7.38           | 8.54         | 20.08          | 16.77          | 9.47            | 9.71            |
| <b>Russell 3000 Sectors</b>    | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| Consumer Discretionary         | 8.85           | 9.18         | 25.32          | 21.52          | 8.91            | 5.65            |
| Consumer Staples               | 8.42           | 15.91        | 17.92          | 16.40          | 10.98           | 9.30            |
| Energy                         | -13.10         | -10.01       | 5.57           | 8.19           | 8.90            | 9.70            |
| Financials                     | 7.82           | 14.37        | 24.22          | 13.39          | 1.20            | 3.97            |
| Health Care                    | 8.56           | 25.10        | 28.73          | 20.12          | 11.27           | 8.57            |
| Industrials                    | 6.97           | 8.00         | 21.64          | 17.57          | 8.49            | 7.05            |
| Information Technology         | 5.40           | 17.84        | 20.68          | 14.81          | 8.98            | 0.02            |
| Materials                      | -0.79          | 5.72         | 15.54          | 11.85          | 8.59            | 7.84            |
| Telecommunications             | -3.90          | 2.49         | 11.83          | 11.40          | 6.59            | -1.50           |
| Utilities                      | 12.98          | 26.88        | 14.20          | 13.71          | 9.69            | 8.37            |

\*Returns less than one year are not annualized.

Sources: Callan, Dow Jones & Company, Russell Investment Group, Standard & Poor's, The NASDAQ Stock Market

# Wary Eyes on 2015

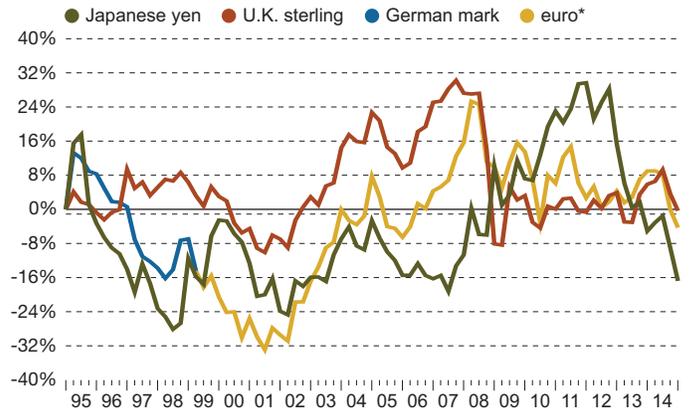
NON-U.S. EQUITY | Matt Lai

As the U.S. continued its upward march, international markets failed to keep pace. Periods of optimism were clouded by sinking oil prices and volatile inflation. Investors turned watchful eyes to central banks as the year drew to a close. December's drag dented an otherwise decent quarter. The greenback gained formidable ground against most currencies. The **MSCI ACWI ex USA Index** (-3.81%) notched a yearly tally down 3.44% in dollar terms, but up 6.52% in local currency. Quarterly sector performance failed to surprise as international Energy (-19.79%) and Materials (-7.54%) provided considerable headwinds; crude oil ended the year at \$53/barrel. Consumer confidence boosted Information Technology (+0.68%) and Consumer Discretionary (+2.39%) out of the red—the quarter's only positive sectors.

Developed countries in the **MSCI World ex USA Index** (-3.69%) reversed the previous quarter's slump against the **MSCI Emerging Markets Index** (-4.44%) but lost in a year-to-date comparison: -3.88% to -1.82%, respectively. For the quarter, the **ACWI ex USA Growth Index** (-2.26%) trumped the **ACWI ex USA Value Index** (-5.38%) and jumped 231 basis points ahead for 2014.

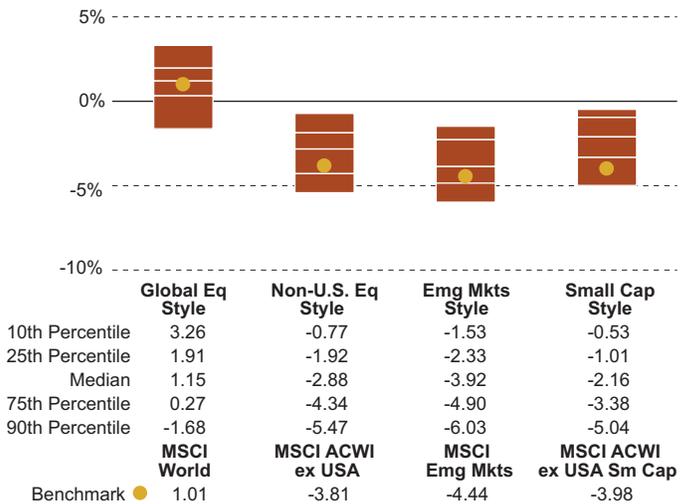
Weak signals from Europe rekindled fears of a possible triple-dip recession. The **MSCI Europe Index** (-4.35%) fell 6.18% in 2014. Unemployment in the E.U. (10.0% in November) came down from 10.7% the year prior but remained largely flat this quarter. More troubling, euro area inflation fell to -0.2% in December, driven by dropping energy prices. Mario Draghi held the ECB's rock-bottom rate of 0.5%. Of the developed nations, oil-dependent Norway (-24.99%) suffered most. Second-weakest Portugal (-23.01%) was dragged down by continued Financials woes (-39.25%) and was 2014's worst-performing developed country (-38.24%). Ireland (+1.86%) was lifted by news of 3.5% GDP growth in the third quarter. Lithuania (-5.41%), a frontier market, adopts the euro in 2015.

## Major Currencies' Cumulative Returns (vs. U.S. Dollar)



\*euro returns from 1Q99  
Source: MSCI

## Callan Style Group Quarterly Returns



Sources: Callan, MSCI

The **MSCI Pacific Index** (-2.08%) fared better than Europe owing to the quarter's developed leaders, Hong Kong (+3.10%) and New Zealand (+2.51%). The former benefited from a resilient telecom industry (+8.23%) and a quieting Umbrella Revolution. New Zealand saw year-over-year GDP growth revised up to 3.2% as of September 30, along with falling unemployment

## NON-U.S. EQUITY (Continued)

and record immigration. Japan weighed on the Index (-2.42%), though it was up 6.65% in yen terms. Prime Minister Shinzo Abe called for snap December elections after annual GDP was revised down to -1.9% (from -1.6%), continuing the country's recession. Abe's Liberal Democratic Party won easily, earning him four more years in office. He postponed the 2% April tax hike by 18 months.

Emerging economies felt the commodities slump more than developed nations, with Energy falling 24.45% while Financials (+1.68%) and Information Technology (+1.46%) managed to advance. Powerhouse China (+7.17%; +8.26% YTD) was buoyed by a strong Financials sector (+24.92%), though GDP growth slowed to 7.3% in the fourth quarter and 7.4% for 2014—the weakest in 24 years. Factory output declined, prompting the government to hasten \$1.1 trillion in infrastructure projects to prop up growth. Last-place Russia (-32.78%) was hammered by falling oil prices, continued sanctions from the West, and declining ruble reserves; it ended the year down a whopping

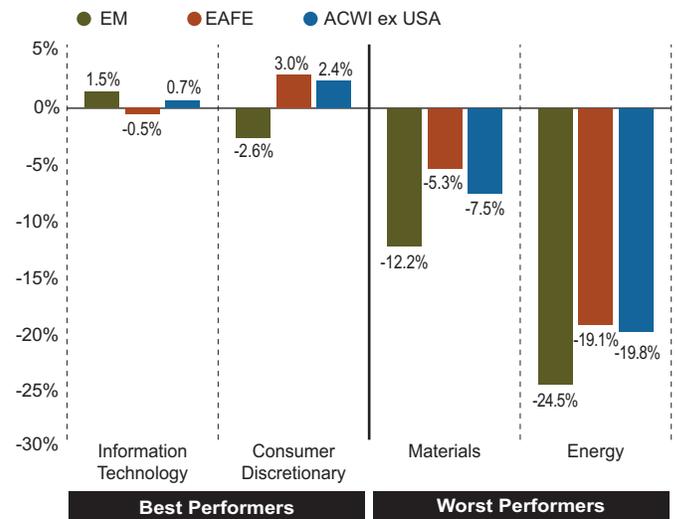
45.86%. Greece fell 28.76% ahead of its January elections and amid the specter of a “Grexit” (Greek exit from the euro zone). Commodities sunk **MSCI EM Latin America** (-13.38%), where sectors universally suffered. **MSCI Frontier Markets** tanked 12.44%, but finished the year up 7.21%, led by a strong **MSCI FM Asia** (-0.84%; +16.64% YTD).

### Quarterly Return Attribution for EAFE (U.S. Dollar)

| Country     | Total   | Local   | Currency | Wtg    |
|-------------|---------|---------|----------|--------|
| Australia   | -3.63%  | 3.05%   | -6.48%   | 7.50%  |
| Austria     | -7.31%  | -3.23%  | -4.21%   | 0.20%  |
| Belgium     | 0.58%   | 5.00%   | -4.21%   | 1.30%  |
| Denmark     | -7.78%  | -3.70%  | -4.24%   | 1.51%  |
| Finland     | -2.00%  | 2.31%   | -4.21%   | 0.89%  |
| France      | -6.06%  | -1.93%  | -4.21%   | 9.69%  |
| Germany     | -0.39%  | 3.99%   | -4.21%   | 9.16%  |
| Hong Kong   | 3.10%   | 2.96%   | 0.13%    | 3.12%  |
| Ireland     | 1.86%   | 6.34%   | -4.21%   | 0.33%  |
| Israel      | 1.22%   | 6.91%   | -5.32%   | 0.58%  |
| Italy       | -13.41% | -9.60%  | -4.21%   | 2.26%  |
| Japan       | -2.42%  | 6.65%   | -8.51%   | 21.21% |
| Netherlands | -0.27%  | 4.12%   | -4.21%   | 2.76%  |
| New Zealand | 2.51%   | 2.23%   | 0.28%    | 0.16%  |
| Norway      | -24.99% | -12.43% | -14.34%  | 0.65%  |
| Portugal    | -23.01% | -19.63% | -4.21%   | 0.15%  |
| Singapore   | -0.46%  | 3.35%   | -3.76%   | 1.57%  |
| Spain       | -8.22%  | -4.18%  | -4.21%   | 3.52%  |
| Sweden      | -3.44%  | 4.86%   | -7.92%   | 3.08%  |
| Switzerland | -2.23%  | 1.67%   | -3.84%   | 9.31%  |
| U.K.        | -4.24%  | -0.44%  | -3.82%   | 21.08% |

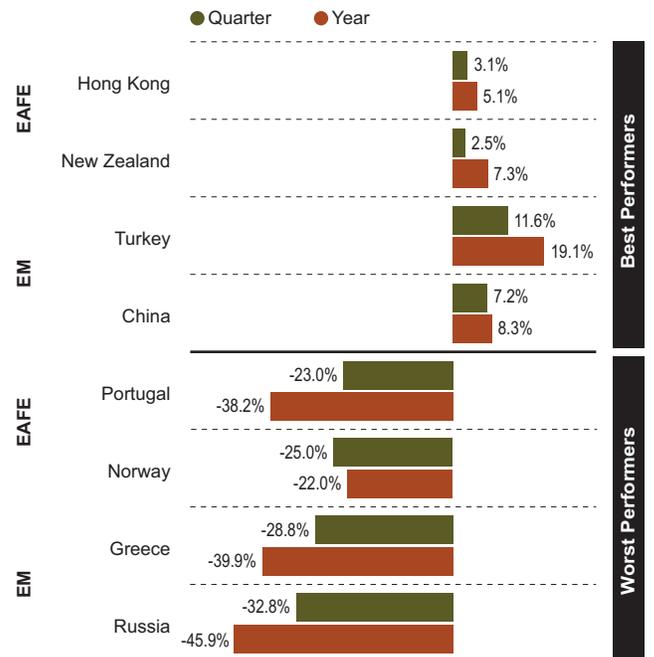
Sources: MSCI, Russell Investment Group, Standard & Poor's.

### Quarterly Returns: Strong and Struggling Sectors



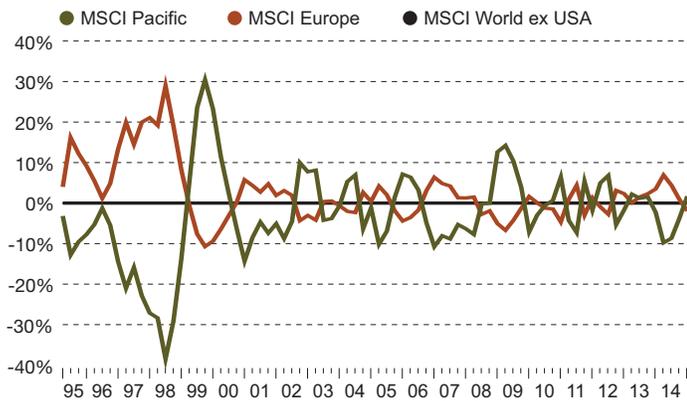
Source: MSCI

### Quarterly and Annual Country Performance Snapshot



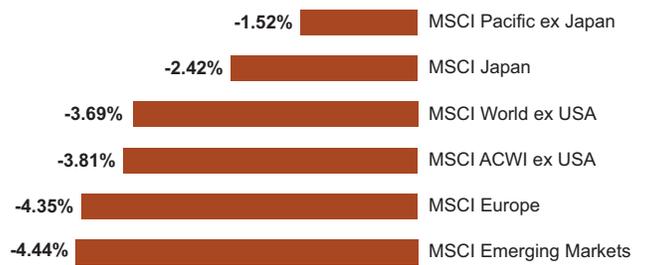
Source: MSCI

**Rolling One-year Relative Returns** (vs. MSCI ACWI ex USA)



Source: MSCI

**Regional Quarterly Performance** (U.S. Dollar)



Source: MSCI

**Style Median and Index Returns\* for Periods ended December 31, 2014**

| Non-U.S. Equity                  | Quarter        | Year         | 3 Years        | 5 Years        | 10 Years        | 15 Years        |
|----------------------------------|----------------|--------------|----------------|----------------|-----------------|-----------------|
| <b>Non-U.S. Equity Style</b>     | <b>-2.88</b>   | <b>-4.13</b> | <b>11.67</b>   | <b>6.69</b>    | <b>5.78</b>     | <b>4.62</b>     |
| MSCI EAFE                        | -3.57          | -4.90        | 11.06          | 5.33           | 4.43            | 2.54            |
| MSCI EAFE (local)                | 1.77           | 5.92         | 16.40          | 7.75           | 5.33            | 1.80            |
| MSCI EAFE Growth                 | -2.29          | -4.43        | 11.03          | 6.19           | 4.91            | 1.13            |
| MSCI EAFE Value                  | -4.85          | -5.39        | 11.04          | 4.42           | 3.89            | 3.82            |
| MSCI ACWI ex USA                 | -3.81          | -3.44        | 9.49           | 4.89           | 5.59            | 3.70            |
| <b>Global Equity</b>             | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Global Equity Style</b>       | <b>1.15</b>    | <b>4.51</b>  | <b>16.14</b>   | <b>10.62</b>   | <b>7.16</b>     | <b>5.10</b>     |
| MSCI World                       | 1.01           | 4.94         | 15.47          | 10.20          | 6.03            | 3.12            |
| MSCI World (local)               | 3.25           | 9.81         | 17.87          | 11.23          | 6.28            | 2.74            |
| MSCI ACWI                        | 0.52           | 4.71         | 14.72          | 9.74           | 6.65            | 3.76            |
| <b>Regional Equity</b>           | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| MSCI Europe                      | -4.35          | -6.18        | 11.86          | 5.28           | 4.60            | 3.06            |
| MSCI Europe (local)              | 0.00           | 4.66         | 13.72          | 7.33           | 5.77            | 2.08            |
| MSCI Japan                       | -2.42          | -4.02        | 9.71           | 5.48           | 2.29            | -0.71           |
| MSCI Japan (local)               | 6.65           | 9.48         | 27.19          | 10.95          | 3.91            | 0.34            |
| MSCI Pacific ex Japan            | -1.52          | -0.47        | 9.36           | 5.93           | 8.40            | 7.57            |
| MSCI Pacific ex Japan (local)    | 3.02           | 5.71         | 14.64          | 6.83           | 7.72            | 5.91            |
| <b>Emerging/Frontier Markets</b> | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Emerging Market Style</b>     | <b>-3.92</b>   | <b>-1.43</b> | <b>5.44</b>    | <b>2.87</b>    | <b>9.46</b>     | <b>8.61</b>     |
| MSCI Emerging Markets            | -4.44          | -1.82        | 4.41           | 2.11           | 8.78            | 7.38            |
| MSCI Emerging Markets (local)    | 0.08           | 5.57         | 8.75           | 5.19           | 10.27           | 8.50            |
| MSCI Frontier Markets            | -12.46         | 6.84         | 13.55          | 8.05           | 5.45            | -               |
| <b>Non-U.S. Small Cap Equity</b> | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Non-U.S. Small Cap Style</b>  | <b>-2.16</b>   | <b>-4.26</b> | <b>15.57</b>   | <b>10.84</b>   | <b>8.42</b>     | <b>7.96</b>     |
| MSCI World ex USA Small Cap      | -3.38          | -5.35        | 11.77          | 7.91           | 5.88            | -               |
| MSCI ACWI ex USA Small Cap       | -3.98          | -4.03        | 10.84          | 6.80           | 6.87            | 6.61            |
| MSCI Emerging Market Small Cap   | -6.02          | 1.01         | 7.65           | 2.93           | 9.85            | 8.14            |

\*Returns less than one year are not annualized.

Sources: Callan, MSCI

# Ending on a High Note

U.S. FIXED INCOME | Nathan Wong, CFA

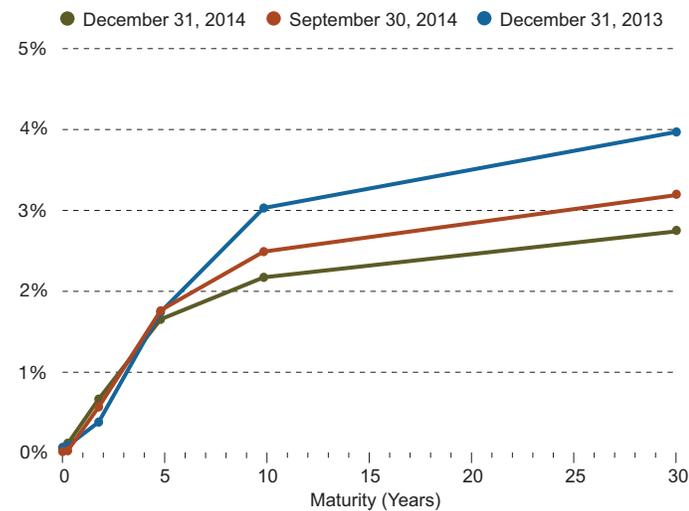
An improving economic picture in the U.S., along with concerns about slower growth in the euro zone and emerging markets, contributed to gains in U.S. fixed income. The yield curve flattened for the fourth consecutive quarter as long Treasury bonds rallied, driven by lower inflation expectations and rising global demand.

Yield spreads widened considerably in both the investment grade and high yield corporate sectors. The **Barclays Aggregate Index** climbed 1.79% during the quarter.

Weakness in oil and a strengthening equity market drove the flattening of the yield curve; the 2-to-30-year spread tightened to 2.08%. Short-term rates rose as the Fed hinted at a normalization of rates in the not-too-distant future. The belly of the curve underperformed the most, with three- and five-year Treasury yields rising 22 bps and 17 bps, respectively.

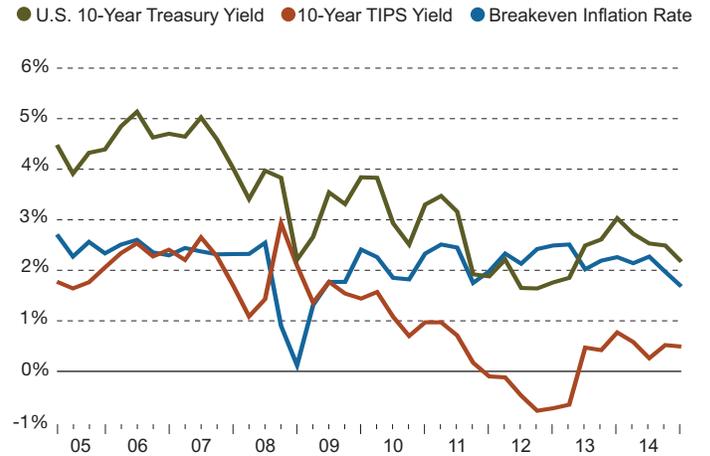
The 30-year yield ended the year at 2.75% and saw its largest annual decline since 2011. The breakeven rate (the differ-

## U.S. Treasury Yield Curves



Source: Bloomberg

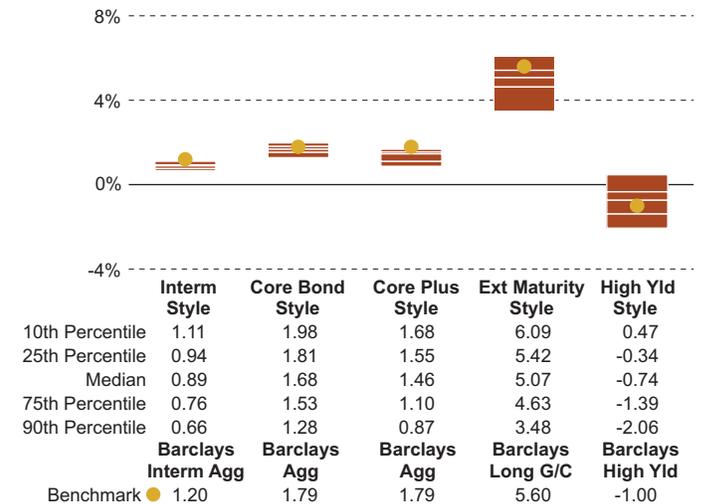
## Historical 10-Year Yields



Source: Bloomberg

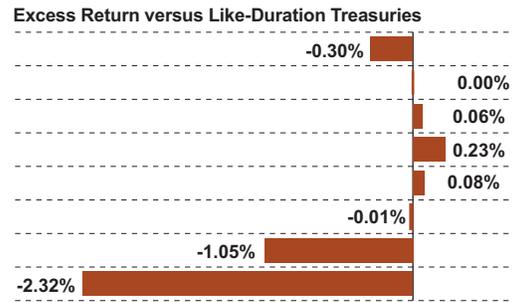
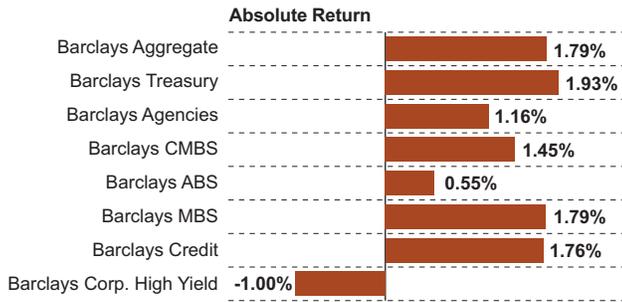
ence between nominal and real yields) on the 10-year Treasury dropped to 1.68%, a level comparable to that seen during the financial crisis, as inflation expectations dissipated commensurately with the fall in oil.

## Callan Style Group Quarterly Returns



Sources: Barclays, Callan

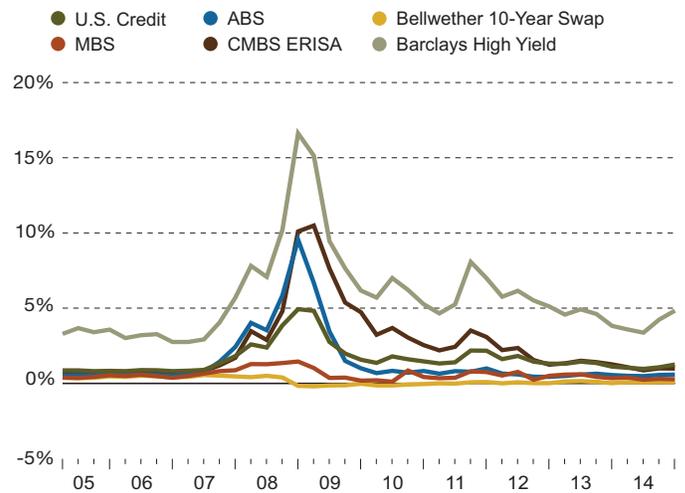
Fixed Income Index Quarterly Returns



Source: Barclays

Investment-grade corporates climbed 1.76% despite corporate spreads widening, mainly as a result of falling oil prices. Industrials and financials were hit hardest. The Fed pledged to continue buying agency mortgage-backed securities (MBS), which gained 1.79%. High yield corporate bonds were impacted most by the drop in oil prices (the energy complex makes up 15% of the Index). High yield bonds lagged against investment-grade corporates, with BB-rated bonds performing better than lower-rated credits. The **Barclays Corporate High Yield Index** fell 1.00%. New issue activity matched the record issuance of 2013. During 2014, 544 high yield bonds totaling approximately \$356 billion were issued.

Effective Yield Over Treasuries



Source: Barclays

U.S. Fixed Income Index Characteristics as of December 31, 2014

| Barclays Indices         | Yield to Worst | Mod Adj Duration | Avg Maturity | % of Barclays G/C | % of Barclays Agg |
|--------------------------|----------------|------------------|--------------|-------------------|-------------------|
| Barclays Aggregate       | 2.25           | 5.55             | 7.69         |                   | 100.00%           |
| Barclays Govt/Credit     | 2.11           | 6.13             | 8.34         | 100.00%           | 68.60%            |
| Intermediate             | 1.67           | 3.89             | 4.22         | 79.34%            | 54.43%            |
| Long-Term                | 3.76           | 14.72            | 24.17        | 20.66%            | 14.17%            |
| Barclays Govt            | 1.42           | 5.42             | 6.65         | 57.09%            | 39.16%            |
| Barclays Credit          | 3.01           | 7.07             | 10.60        | 42.91%            | 29.44%            |
| Barclays MBS             | 2.60           | 4.34             | 6.45         |                   | 28.79%            |
| Barclays ABS             | 1.47           | 2.54             | 2.73         |                   | 0.54%             |
| Barclays CMBS            | 2.33           | 4.29             | 4.79         |                   | 2.01%             |
| Barclays Corp High Yield | 6.61           | 4.34             | 6.46         |                   |                   |

Source: Barclays

## U.S. FIXED INCOME (Continued)

### Style Median and Index Returns\* for Periods ended December 31, 2014

| <b>Broad Fixed Income</b>         | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
|-----------------------------------|----------------|--------------|----------------|----------------|-----------------|-----------------|
| <b>Core Bond Style</b>            | <b>1.68</b>    | <b>6.23</b>  | <b>3.48</b>    | <b>5.10</b>    | <b>5.21</b>     | <b>6.16</b>     |
| <b>Core Bond Plus Style</b>       | <b>1.46</b>    | <b>6.12</b>  | <b>4.45</b>    | <b>6.05</b>    | <b>5.64</b>     | <b>6.78</b>     |
| Barclays Aggregate                | 1.79           | 5.97         | 2.66           | 4.45           | 4.71            | 5.70            |
| Barclays Govt/Credit              | 1.82           | 6.01         | 2.76           | 4.69           | 4.70            | 5.79            |
| Barclays Govt                     | 1.86           | 4.92         | 1.40           | 3.70           | 4.29            | 5.34            |
| Barclays Credit                   | 1.76           | 7.53         | 4.84           | 6.25           | 5.46            | 6.50            |
| Citi Broad Investment Grade       | 1.77           | 5.91         | 2.64           | 4.39           | 4.81            | 5.77            |
| <b>Long-Term</b>                  | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Extended Maturity Style</b>    | <b>5.07</b>    | <b>17.99</b> | <b>6.68</b>    | <b>10.40</b>   | <b>7.63</b>     | <b>8.61</b>     |
| Barclays Long Govt/Credit         | 5.60           | 19.31        | 5.77           | 9.81           | 7.36            | 8.39            |
| Barclays Long Govt                | 8.38           | 24.66        | 4.23           | 9.86           | 7.48            | 8.38            |
| Barclays Long Credit              | 4.06           | 16.39        | 7.00           | 9.70           | 7.08            | 8.25            |
| Citi Pension Discount Curve       | 8.23           | 25.44        | 7.80           | 12.79          | 8.95            | 10.68           |
| <b>Intermediate-Term</b>          | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Intermediate Style</b>         | <b>0.89</b>    | <b>3.38</b>  | <b>2.52</b>    | <b>3.89</b>    | <b>4.60</b>     | <b>5.55</b>     |
| Barclays Intermediate Aggregate   | 1.20           | 4.12         | 2.19           | 3.72           | 4.34            | 5.30            |
| Barclays Intermediate Govt/Credit | 0.89           | 3.13         | 2.03           | 3.54           | 4.10            | 5.12            |
| Barclays Intermediate Govt        | 0.95           | 2.52         | 0.99           | 2.78           | 3.76            | 4.69            |
| Barclays Intermediate Credit      | 0.80           | 4.16         | 3.98           | 5.00           | 4.88            | 5.92            |
| <b>Short-Term</b>                 | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Defensive Style</b>            | <b>0.22</b>    | <b>1.06</b>  | <b>1.17</b>    | <b>1.88</b>    | <b>3.09</b>     | <b>3.86</b>     |
| <b>Active Duration Style</b>      | <b>1.28</b>    | <b>4.65</b>  | <b>2.81</b>    | <b>4.27</b>    | <b>4.80</b>     | <b>5.79</b>     |
| Money Market Funds (net of fees)  | 0.00           | 0.01         | 0.01           | 0.01           | 1.43            | 1.79            |
| ML Treasury 1–3-Year              | 0.17           | 0.47         | 0.42           | 1.03           | 2.52            | 3.32            |
| 90-Day Treasury Bills             | 0.00           | 0.03         | 0.07           | 0.09           | 1.54            | 2.01            |
| <b>High Yield</b>                 | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>High Yield Style</b>           | <b>-0.74</b>   | <b>2.92</b>  | <b>8.54</b>    | <b>9.14</b>    | <b>7.64</b>     | <b>7.63</b>     |
| Barclays Corporate High Yield     | -1.00          | 2.45         | 8.43           | 9.03           | 7.74            | 7.48            |
| ML High Yield Master              | -1.05          | 2.45         | 8.29           | 8.87           | 7.54            | 7.46            |
| <b>Mortgage/Asset-Backed</b>      | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| <b>Mortgage Style</b>             | <b>1.70</b>    | <b>6.36</b>  | <b>3.06</b>    | <b>4.64</b>    | <b>5.06</b>     | <b>5.97</b>     |
| Barclays MBS                      | 1.79           | 6.08         | 2.37           | 3.73           | 4.75            | 5.54            |
| Barclays ABS                      | 0.55           | 1.88         | 1.74           | 3.23           | 3.38            | 4.63            |
| Barclays CMBS                     | 1.45           | 3.86         | 4.52           | 7.82           | 5.29            | 6.61            |
| <b>Municipal</b>                  | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| Barclays Muni                     | 1.37           | 9.05         | 4.30           | 5.16           | 4.74            | 5.55            |
| Barclays Muni 1–10-Year           | 0.57           | 4.66         | 2.61           | 3.70           | 4.00            | 4.63            |
| Barclays Muni 3-Year              | -0.13          | 1.22         | 1.47           | 1.93           | 2.97            | 3.57            |
| <b>TIPS</b>                       | <b>Quarter</b> | <b>Year</b>  | <b>3 Years</b> | <b>5 Years</b> | <b>10 Years</b> | <b>15 Years</b> |
| Barclays TIPS Full Duration       | -0.03          | 3.64         | 0.44           | 4.11           | 4.37            | 6.49            |
| Barclays TIPS 1-10 Year           | -1.00          | 0.91         | 0.03           | 2.78           | 3.75            | 5.61            |

\*Returns of less than one year are not annualized.

Sources: Barclays, Callan, Citigroup, Merrill Lynch

# Deflation Demons

NON-U.S. FIXED INCOME | Kyle Fekete

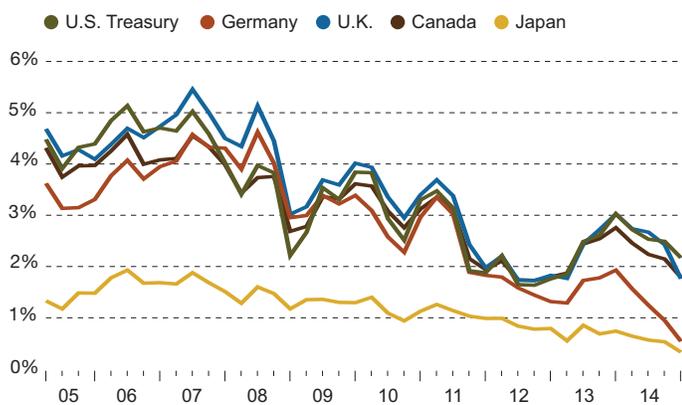
Deflationary concerns, weakening currencies, and further bifurcation among world economies continued to weigh on foreign bond returns. The relative strength of the U.S. dollar depressed local currency investments; the **Citi Non-U.S. World Government Bond Index** (WGBI) tumbled 2.91%. The dollar-hedged **Citi Non-U.S. WGBI** climbed 3.06%, illustrating the disparity against foreign currencies.

The euro zone's battle with disinflation raised concerns of Japan-like deflation among major economies. (In the early '90s, the Bank of Japan lowered interest rates to near zero in order to stimulate inflation, but to no avail. Its deflationary run has lasted well over a decade.) In response to prolonged anemic growth, the ECB announced it would consider a quantitative easing program that would include adding sovereign bonds to its balance sheet. Speculation and a flight to quality fueled a rally in both core and fringe European sovereign

bonds as yields dropped. The German 10-year yield declined to a record low of 0.54%; the spread with U.S. Treasuries widened to 1.63%. The German two-year note remained in negative territory, indicating investors would receive less than what they paid for the debt. Yield on U.K. sovereign debt declined 67 bps as the pound sterling sank and the Bank of England discussed adjusting interest rates. Yields on Spanish and Italian debt declined 52 bps and 44 bps, respectively.

In Asia Pacific, recessionary Japan experienced a fourth straight month of weakening inflation. The 10-year yield fell to 0.33%, its lowest level ever, as the Bank of Japan maintained its aggressive stimulus program. Australia's 10-year yield declined 73 bps, the most compared to its developed peers.

## 10-Year Global Government Bond Yields



## Change in 10-Year Yields from 3Q14 to 4Q14



Source: Bloomberg

## Quarterly Return Attribution for Non-U.S. Gov't Indices (U.S. Dollar)

| Country      | Total   | Local  | Currency | Wtg    |
|--------------|---------|--------|----------|--------|
| Australia    | -1.97%  | 4.82%  | -6.48%   | 1.90%  |
| Austria      | -1.14%  | 3.21%  | -4.21%   | 1.89%  |
| Belgium      | -1.20%  | 3.14%  | -4.21%   | 3.03%  |
| Canada       | -1.03%  | 2.58%  | -3.51%   | 2.56%  |
| Denmark      | -1.02%  | 3.37%  | -4.24%   | 0.83%  |
| Finland      | -2.05%  | 2.26%  | -4.21%   | 0.74%  |
| France       | -1.47%  | 2.87%  | -4.21%   | 11.28% |
| Germany      | -1.55%  | 2.78%  | -4.21%   | 9.36%  |
| Ireland      | -2.65%  | 1.63%  | -4.21%   | 0.95%  |
| Italy        | -1.72%  | 2.60%  | -4.21%   | 11.16% |
| Japan        | -6.22%  | 2.50%  | -8.51%   | 32.86% |
| Malaysia     | -6.27%  | -2.85% | -6.18%   | 0.57%  |
| Mexico       | -6.13%  | 3.03%  | -8.88%   | 1.15%  |
| Netherlands  | -1.52%  | 2.81%  | -4.21%   | 3.03%  |
| Norway       | -10.82% | 4.10%  | -14.34%  | 0.31%  |
| Poland       | -4.97%  | 2.11%  | -6.93%   | 0.71%  |
| Singapore    | -2.47%  | 1.33%  | -3.76%   | 0.43%  |
| South Africa | 1.92%   | 4.34%  | -2.34%   | 0.60%  |
| Spain        | -1.56%  | 2.76%  | -4.21%   | 6.23%  |
| Sweden       | -4.77%  | 3.42%  | -7.92%   | 0.56%  |
| Switzerland  | -2.65%  | 1.24%  | -3.84%   | 0.38%  |
| U.K.         | 2.69%   | 6.77%  | -3.82%   | 9.50%  |

Source: Citigroup

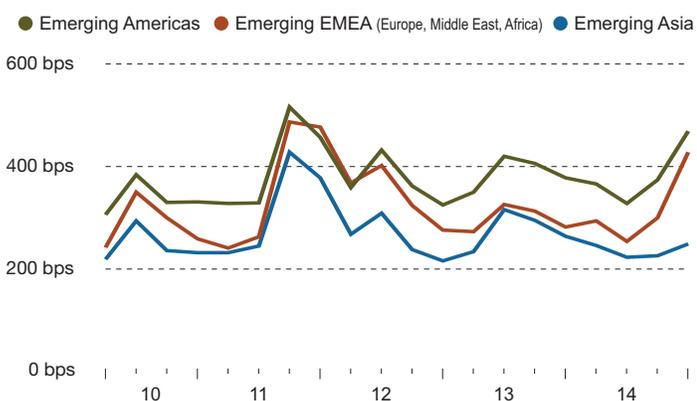
## NON-U.S. FIXED INCOME (Continued)

The **JPM GBI-EM Global Diversified Index**, tracking emerging market government bonds denominated in local currencies, plummeted 5.71% given the broad-based currency weakness versus the U.S. dollar. The U.S. dollar-denominated **JPM EMBI Global Diversified Index** fell 0.55% for the quarter. Sinking oil prices weighed heavily on emerging market exporters. Russia's debt continued its downward spiral as the 10-year bond fell 44% in dollar terms. In December, the Russian central bank raised interest rates to 17% from 10.5% in an effort to stem the

ruble's decline. Low oil prices were a major burden on the currency. Colombian debt declined 14%; oil accounts for roughly 50% of the country's exports.

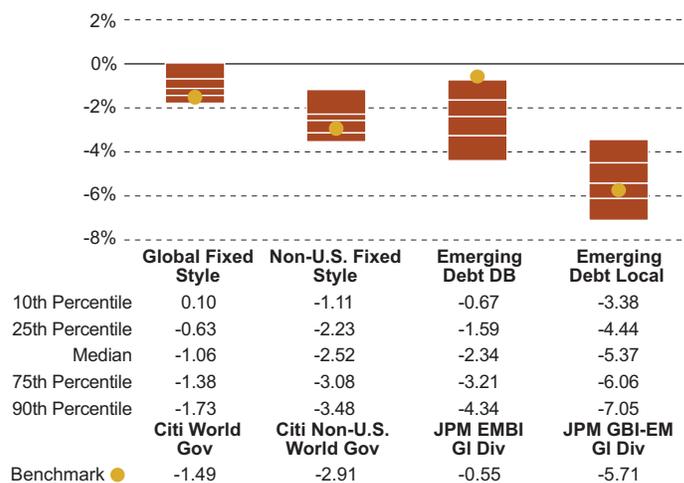
Turkey was a bright spot among emerging market economies. The 10-year bond gained 6.23% despite the negative currency effect. The country's inflationary outlook improved on the back of falling oil prices.

### Emerging Spreads Over Developed (By Region)



Source: Barclays

### Callan Style Group Quarterly Returns



Sources: Callan, Citigroup, JPMorgan Chase & Co.

### Style Median and Index Returns\* for Periods ended December 31, 2014

| Global Fixed Income             | Quarter      | Year         | 3 Years     | 5 Years     | 10 Years    | 15 Years    |
|---------------------------------|--------------|--------------|-------------|-------------|-------------|-------------|
| <b>Global Style</b>             | <b>-1.06</b> | <b>1.35</b>  | <b>1.04</b> | <b>3.15</b> | <b>4.22</b> | <b>5.97</b> |
| Citi World Gov                  | -1.49        | -0.48        | -0.97       | 1.67        | 3.08        | 4.95        |
| Citi World Gov (Local)          | 2.71         | 8.47         | 4.31        | 4.41        | 3.98        | 4.52        |
| Barclays Global Aggregate       | -1.04        | 0.59         | 0.73        | 2.65        | 3.60        | 5.20        |
| Non-U.S. Fixed                  | Quarter      | Year         | 3 Years     | 5 Years     | 10 Years    | 15 Years    |
| <b>Non-U.S. Style</b>           | <b>-2.52</b> | <b>-1.83</b> | <b>0.00</b> | <b>1.94</b> | <b>3.50</b> | <b>5.51</b> |
| Citi Non-U.S. World Gov         | -2.91        | -2.68        | -1.94       | 0.85        | 2.64        | 4.65        |
| Citi Non-U.S. World Gov (Local) | 3.06         | 9.93         | 5.53        | 4.68        | 3.96        | 4.29        |
| European Fixed                  | Quarter      | Year         | 3 Years     | 5 Years     | 10 Years    | 15 Years    |
| Citi Euro Govt Bond             | -1.56        | -0.61        | 6.07        | 2.43        | 3.80        | 6.96        |
| Citi Euro Govt Bond (Local)     | 2.77         | 11.16        | 7.93        | 5.59        | 4.82        | 5.50        |
| Emerging Markets Fixed          | Quarter      | Year         | 3 Years     | 5 Years     | 10 Years    | 15 Years    |
| JPM EMBI Global Diversified     | -0.55        | 7.43         | 6.13        | 7.57        | 7.78        | 9.78        |
| JPM GBI-EM Global Diversified   | -5.71        | -5.72        | 0.07        | 2.63        | 6.65        | --          |

\*Returns less than one year are not annualized.

Sources: Callan, Citigroup, JPMorgan Chase

# Onward and Upward

REAL ESTATE | Jay Nayak

The **NCREIF Property Index** advanced 3.04% and recorded a 1.29% income return and a 1.75% appreciation return. For 2014, the Index produced a 5.36% income return, a 6.35% appreciation return, and an 11.82% total return. The Index cash flow returns were 0.80% and 3.57% for the quarter and year, respectively.

A flurry of commercial real estate transactions during the fourth quarter underpinned prevailing real estate returns. The Index tracked 282 transactions representing \$8.0 billion, well ahead of the \$4.9 billion 10-year quarterly transaction average. The maximum quarterly transaction volume over the prior 10-year period was \$8.7 billion in the second quarter of 2007.

Pricing growth continued to characterize asset trades, as value-weighted transactional capitalization rates ticked down to 5.27%. Over the course of the prior cycle, quarterly value-weighted transactional capitalization rates dipped to a low of 5.00% in the third quarter of 2007 and expanded to 8.42% in the third quarter of 2009. Appraisal capitalization rates declined to 4.92% during the fourth quarter of 2014. As markets peaked over the prior cycle, appraisal capitalization rates declined to 4.89% in the third quarter of 2008.

In the listed real estate market, the **FTSE EPRA/NAREIT Developed REIT Index (USD)** advanced 8.07% and domestic REITs, tracked by the **FTSE NAREIT Equity REITs Index**, advanced 14.20%. Favorable economic dynamics are driving rental growth in many major property sectors, and private equity real estate buyers are acquiring assets and platforms that would otherwise have been taken public, driving up REIT values.

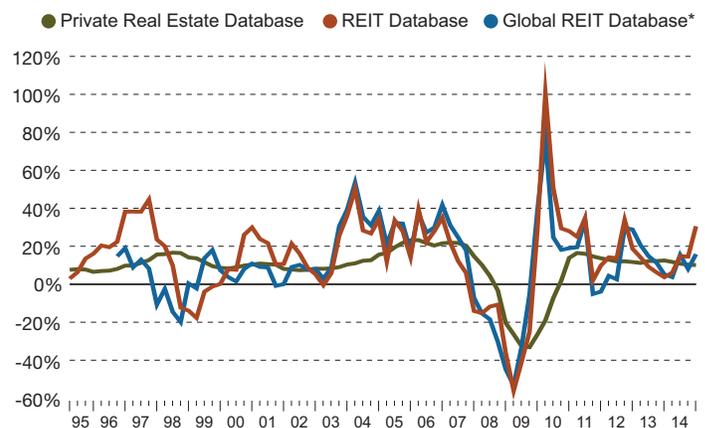
Internationally, the United Kingdom has exhibited softness as residential property sales have slowed with the contraction of foreign buyer demand. In the Asia/Pacific region, headwinds in China have been balanced by a reversal of restrictive policies to curb housing sector growth.

In the U.S., Health Care (+16.98%) led sector performance for the quarter, followed by Residential (+16.39%) and Lodging/Resorts (+16.37%). Even the laggards (Diversified REITs: +11.84%; Retail: +12.37%) were strong. The free standing Retail subsector only gained 1.11%.

U.S. REITs raised \$12.5 billion during the fourth quarter following the completion of two primary offerings that raised \$3.2 billion, 23 secondary offerings (\$3.9 billion), four preferred equity offerings (\$1.6 billion) and 13 unsecured debt offerings (\$3.8 billion). U.S. REITs raised \$63.6 billion in 2014, behind the \$73.3 billion and \$77.0 billion of capital raising activity seen in 2012 and 2013, respectively.

Commercial mortgage-backed securities issuance reached \$25.2 billion in the fourth quarter, just off pace from the \$28.1 billion of issuance volume from the quarter prior. Total issuance for the calendar year was \$94.1 billion, which was just shy of the expected \$100 billion of issuance volume for the year. This represents the largest issuance volume seen since 2004. Peak market (between 2005 and 2007) quarterly issuance volume ranged from \$33.0 billion to \$73.6 billion.

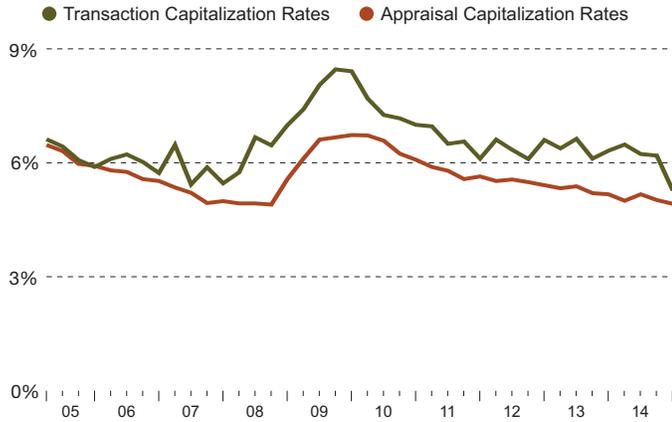
## Rolling One-Year Returns



\*Global REIT returns from 3Q96  
Source: Callan

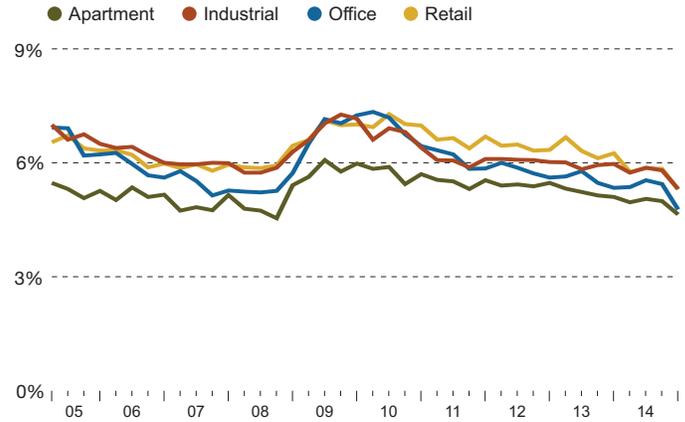
## REAL ESTATE (Continued)

### NCREIF Transaction and Appraisal Capitalization Rates



Source: NCREIF  
Note: Transaction capitalization rate is equal-weighted.

### NCREIF Capitalization Rates by Property Type



Source: NCREIF  
Note: Capitalization rates are appraisal-based.

### Callan Database Median and Index Returns\* for Periods ended December 31, 2014

| Private Real Estate                       | Quarter      | Year         | 3 Years      | 5 Years      | 10 Years    | 15 Years     |
|---|--------------|--------------|--------------|--------------|-------------|--------------|
| <b>Real Estate Database (net of fees)</b> | <b>2.87</b>  | <b>11.90</b> | <b>12.18</b> | <b>13.72</b> | <b>5.76</b> | <b>7.48</b>  |
| NCREIF Property**                         | 3.04         | 11.82        | 11.11        | 12.13        | 8.38        | 8.89         |
| NFI-ODCE (value wtd. net)                 | 3.02         | 11.45        | 11.38        | 12.85        | 6.11        | 6.89         |
| Public Real Estate                        | Quarter      | Year         | 3 Years      | 5 Years      | 10 Years    | 15 Years     |
| <b>REIT Database</b>                      | <b>14.42</b> | <b>31.15</b> | <b>16.67</b> | <b>17.77</b> | <b>9.38</b> | <b>14.08</b> |
| FTSE NAREIT Equity                        | 14.20        | 30.14        | 16.33        | 16.88        | 8.31        | 12.67        |
| Global Real Estate                        | Quarter      | Year         | 3 Years      | 5 Years      | 10 Years    | 15 Years     |
| <b>Global REIT Database</b>               | <b>7.84</b>  | <b>16.53</b> | <b>16.08</b> | <b>12.52</b> | <b>7.73</b> | <b>9.42</b>  |
| FTSE EPRA/NAREIT Developed REIT           | 8.07         | 15.89        | 15.90        | 12.04        | 6.90        | 10.15        |

\*Returns less than one year are not annualized.

\*\*Represents data available as of publication date.

All REIT returns are reported gross in USD.

Sources: Callan, NAREIT, NCREIF, The FTSE Group. NCREIF statistics are the product of direct queries and may not represent frozen statistics.

# Momentum Builds

PRIVATE EQUITY | Gary Robertson

The year's total for fundraising is the largest since 2008. *Private Equity Analyst* reports that, at \$266.2 billion, the 2014 commitment dollar volume finished up 11.7% from 2013's \$238.4 billion. The number of funds formed also increased by 15.7% to 765, from 661 in 2013. New fourth-quarter commitments totaled \$91.1 billion with 196 new partnerships formed.

According to *Buyouts* newsletter, new acquisitions totaled 1,617 in 2014, up from 1,506 in 2013. Announced dollar volume decreased by 12.9% to \$128.7 billion from \$160.0 billion in 2013. The fourth quarter generated 304 control transactions and disclosed dollar volume on closed deals totaled \$25.5 billion. According to S&P Capital IQ, in the second half of 2014 purchase price multiples climbed into the double digits.

According to the National Venture Capital Association, new investment in venture capital companies jumped 61% for the year, from \$30.0 billion in 2013 to \$48.4 billion. The dollar volume in 2014 is third only to 1999 (\$54.9 billion) and 2000 (\$105.0 billion). The year produced 4,356 rounds of investment, up from 4,193 in 2013. In the fourth quarter, investment volume totaled \$14.8 billion in 1,109 rounds of financing.

Regarding exits, *Buyouts* reports that 2014's aggregate disclosed M&A exit value of \$102.6 billion was up significantly from 2013, which reported \$63.6 billion. Private M&A exits of buyout-backed companies were also up to 534 versus 2013's 377. In the fourth quarter, eight of the completed 108 M&A exits

## Funds Closed January 1 to December 31, 2014

| Strategy            | No. of Funds | Amt (\$mm)     | Percent     |
|---------------------|--------------|----------------|-------------|
| Venture Capital     | 307          | 32,968         | 12%         |
| Buyouts             | 305          | 174,783        | 66%         |
| Subordinated Debt   | 33           | 8,663          | 3%          |
| Distressed Debt     | 33           | 22,613         | 8%          |
| Secondary and Other | 25           | 17,302         | 6%          |
| Fund-of-funds       | 62           | 9,873          | 4%          |
| <b>Totals</b>       | <b>765</b>   | <b>266,201</b> | <b>100%</b> |

Source: Private Equity Analyst

had values over \$1 billion, with the largest being Apollo's \$3.1 billion sale of Prestige Cruises to Norwegian Cruise Lines. There were 18 buyout-backed IPOs with an aggregate value of \$4.7 billion. The full year produced 50 IPOs raising a total of \$42.0 billion.

Venture-backed M&A exits for the year included 455 private sales with 132 announced values totaling \$46.0 billion, up from 2013's 393 exits and \$16.9 billion in announced value. The fourth quarter had 95 exits, of which 29 announced values totaling \$26.4 billion. Facebook's \$19.5 billion purchase of WhatsApp resulted in a significant jump in values from Q3 to Q4. There were 27 venture-backed IPOs in the fourth quarter that raised \$4.4 billion, and the total for 2014 was 115 venture-backed IPOs that raised \$15.3 billion.

Please see our upcoming issue of *Private Markets Trends* for more in-depth coverage.

## Private Equity Performance Database (%)

(Pooled Horizon IRRs through June 30, 2014\*)

| Strategy                  | 3 Months   | Year        | 3 Years     | 5 Years     | 10 Years    | 15 Years    | 20 Years    |
|---------------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| All Venture               | 3.2        | 29.7        | 13.6        | 14.8        | 10.1        | 11.8        | 27.6        |
| Growth Equity             | 4.6        | 25.2        | 12.0        | 16.1        | 13.5        | 13.4        | 15.2        |
| All Buyouts               | 5.0        | 22.7        | 12.6        | 17.3        | 14.4        | 12.1        | 13.6        |
| Mezzanine                 | 2.7        | 12.3        | 11.8        | 11.7        | 10.7        | 8.2         | 10.1        |
| Distressed                | 3.3        | 16.8        | 11.9        | 16.9        | 11.7        | 11.8        | 12.0        |
| <b>All Private Equity</b> | <b>4.4</b> | <b>23.1</b> | <b>12.6</b> | <b>16.6</b> | <b>13.2</b> | <b>12.1</b> | <b>14.9</b> |
| S&P 500                   | 5.2        | 24.6        | 16.6        | 18.8        | 7.8         | 4.4         | 9.8         |

Private equity returns are net of fees.

Sources: Standard & Poor's, Thomson/Cambridge

\*Most recent data available at time of publication

# Shake It Off

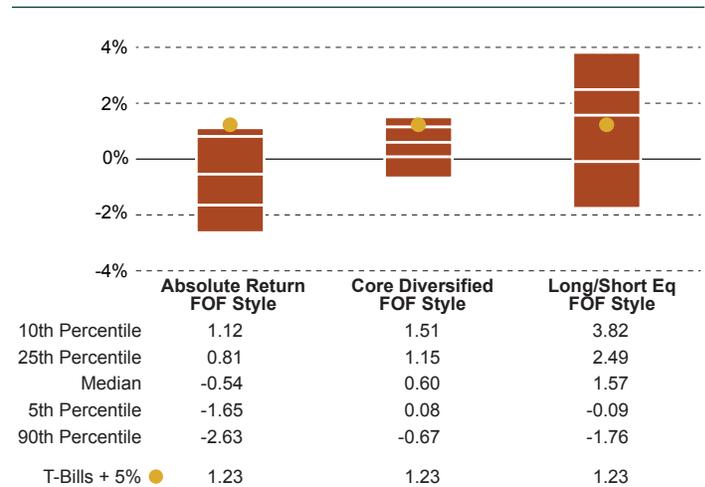
HEDGE FUNDS | Jim McKee

Tectonic stresses of robust supply and fragile demand created cracks in the crust of capital markets. Steady oil production growth overwhelmed consumer needs, resulting in a dramatic breakdown in energy prices. China's ebbing growth story depressed other commodity prices, while disinflationary forces in Europe magnified anxieties. Despite domestic oil weakness, a steady U.S. economy continued to support the market's confidence that a global recession was not looming ahead. While the **S&P 500 Index** gained 4.93%, stocks abroad generally declined. Falling inflation expectations led developed bond markets to accept lower long-term yields.

Illustrating raw hedge fund performance without implementation cost, the **Credit Suisse Hedge Fund Index** (CS HFI) rose 0.70% in the fourth quarter. Representing actual hedge fund portfolios, the median manager in the **Callan Hedge Fund-of-Funds Database** advanced 0.70%, net of all fees.

Within the CS HFI, the best-performing strategy was *Managed Futures* (+11.27%), where trend-following strategies got their mojo primarily from falling oil prices and the rising dollar. *Long/Short Equity* (+2.25%) benefitted from a resilient U.S.

## Callan Style Group Quarterly Returns



Sources: Callan, Merrill Lynch

stock market. Widening credit and deal spreads undermined the event-driven space, led by *Distressed* (-2.31%).

Within Callan's Hedge Fund-of-Funds Database, market exposures marginally affected performance in the fourth quarter. Hurt by widening spreads, the median Callan Absolute Return FOF (-0.54%) trailed the *Long/Short Equity FOF* (+1.57%).

## Database Median and Index Returns\* for Periods ended December 31, 2014

| Diversified Hedge Fund Strategies   | Quarter     | Year        | 3 Years     | 5 Years     | 10 Years    | 15 Years    |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Hedge Fund-of-Funds Database</b> | <b>0.70</b> | <b>2.95</b> | <b>6.98</b> | <b>4.90</b> | <b>4.74</b> | <b>6.06</b> |
| CS Hedge Fund Index                 | 0.70        | 4.13        | 7.15        | 5.88        | 5.82        | 6.34        |
| Credit Suisse Subindices            | Quarter     | Year        | 3 Years     | 5 Years     | 10 Years    | 15 Years    |
| Equity Market Neutral               | 0.33        | -1.20       | 2.88        | 2.44        | -1.01       | 2.22        |
| Convertible Arbitrage               | -3.01       | -1.67       | 3.98        | 4.75        | 4.06        | 6.49        |
| Fixed Income Arbitrage              | 0.04        | 4.37        | 6.35        | 7.22        | 3.85        | 4.88        |
| Multi-Strategy                      | 1.13        | 6.09        | 9.48        | 7.87        | 6.54        | 7.38        |
| Distressed                          | -2.31       | 2.55        | 9.96        | 7.02        | 6.57        | 8.33        |
| Risk Arbitrage                      | -1.71       | -1.32       | 2.11        | 2.06        | 3.82        | 4.57        |
| Event Driven Multi-Strategy         | -2.09       | 1.14        | 8.69        | 5.27        | 6.59        | 7.74        |
| Long/Short Equity                   | 2.25        | 5.54        | 10.37       | 6.37        | 6.41        | 5.88        |
| Dedicated Short Bias                | -2.51       | -5.61       | -17.38      | -14.72      | -7.68       | -6.43       |
| Global Macro                        | 0.47        | 3.11        | 4.00        | 6.32        | 7.72        | 9.83        |
| Managed Futures                     | 11.27       | 18.36       | 3.84        | 3.78        | 4.29        | 5.76        |
| Emerging Markets                    | 0.76        | 1.52        | 6.80        | 4.83        | 6.90        | 7.67        |

\*Returns less than one year are not annualized. Sources: Callan, Credit Suisse Hedge Index

# Tough Third Quarter for DC

DEFINED CONTRIBUTION | James O'Connor

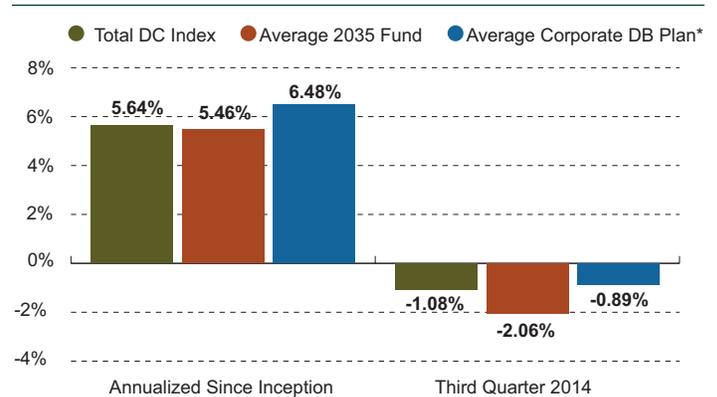
In the third quarter of 2014, the Callan DC Index™ saw its first loss since mid-2012, declining 1.08% as the equity markets—particularly small cap and non-U.S. equities—struggled. The typical 2035 target date fund (TDF) fared even worse, dropping 2.06%. Since the inception of the DC Index in 2006, the typical DB plan has maintained a healthy edge of 84 basis points, on average, over the DC Index’s annualized return. The long-term annualized performance of TDFs, in contrast, is basically in line with that of the DC Index.

Driven primarily by investment losses, the DC Index shrank by 1.26% last quarter in terms of total growth. However, since inception, the average plan balance has grown by a healthy 8.26% on an annualized basis. Over two-thirds of this growth (5.64%) is due to market performance; the rest (2.61%) is driven by plan sponsor and participant contributions.

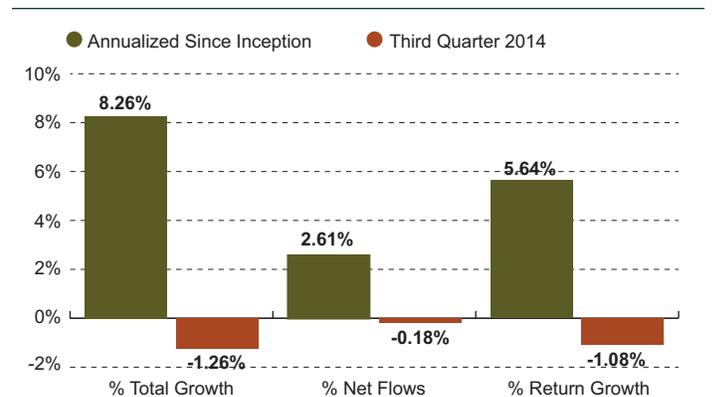
Index turnover came in at 0.47%, compared to historical quarterly levels of 0.68%. TDFs saw the greatest amount of activity, attracting 81 cents for every dollar of flows. This is the second-largest amount the Index has experienced since inception, trailing only March 2014. Money flowed out of a wide variety of asset classes. One of the weakest performers suffered the most: U.S. small/mid cap. However, non-U.S. and global equities showed minimal outflows, while emerging markets saw the strongest inflows in the past two years—albeit minimal, at slightly above 1%.

*The Callan DC Index™ is an equally weighted index tracking the cash flows and performance of nearly 90 plans, representing more than one million DC participants and over \$140 billion in assets. The Index is updated quarterly and is available at <http://www.callan.com/research/dcindex/>. Read the quarterly DC Observer newsletter for additional commentary and data.*

## Investment Performance\*



## Growth Sources\*



## Net Cash Flow Analysis (Third Quarter 2014)\* (Top Two and Bottom Two Asset Gatherers)

| Asset Class                       | Flows as % of Total Net Flows |
|-----------------------------------|-------------------------------|
| Target Date Funds                 | 81.07%                        |
| U.S. Fixed Income                 | 12.44%                        |
| Company Stock                     | -16.87%                       |
| U.S. Small/Mid Cap                | -44.17%                       |
| <b>Total Turnover<sup>1</sup></b> | <b>0.47%</b>                  |

<sup>1</sup> Total Index “turnover” measures the percentage of total invested assets (transfers only, excluding contributions and withdrawals) that moved between asset classes.

Source: Callan DC Index

\*Notes: DC Index inception date is January 2006. DB plan performance is gross of fees. Data provided here is the most recent available at time of publication.

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The *Capital Market Review* is a quarterly macroeconomic indicator newsletter that provides thoughtful insights on the economy and recent performance in the equity, fixed income, alternatives, international, real estate, and other capital markets.

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### **About Callan**

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional clients with creative, customized investment solutions that are uniquely backed by proprietary research, exclusive data, ongoing education and decision support. Today, Callan advises on more than \$1.8 trillion in total assets, which makes us among the largest independently owned investment consulting firms in the U.S. We use a client-focused consulting model to serve public and private pension plan sponsors, endowments, foundations, operating funds, smaller investment consulting firms, investment managers, and financial intermediaries. For more information, please visit [www.callan.com](http://www.callan.com).

### **About the Callan Investments Institute**

The Callan Investments Institute, established in 1980, is a source of continuing education for those in the institutional investment community. The Institute conducts conferences and workshops and provides published research, surveys, and newsletters. The Institute strives to present the most timely and relevant research and education available so our clients and our associates stay abreast of important trends in the investments industry.

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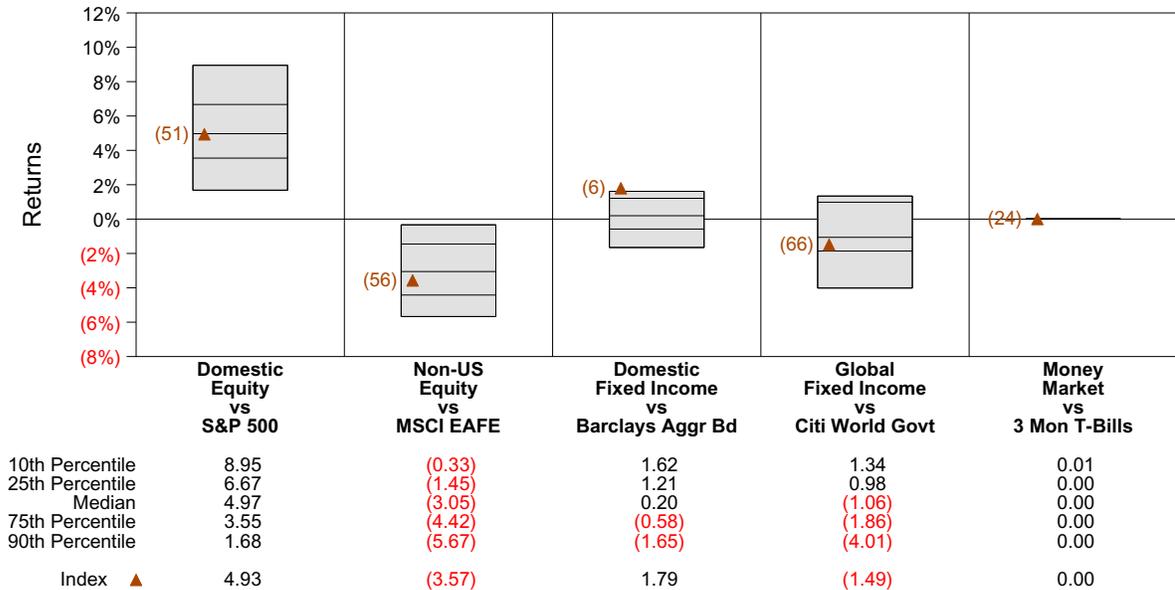
## Market Overview

### Active Management vs Index Returns

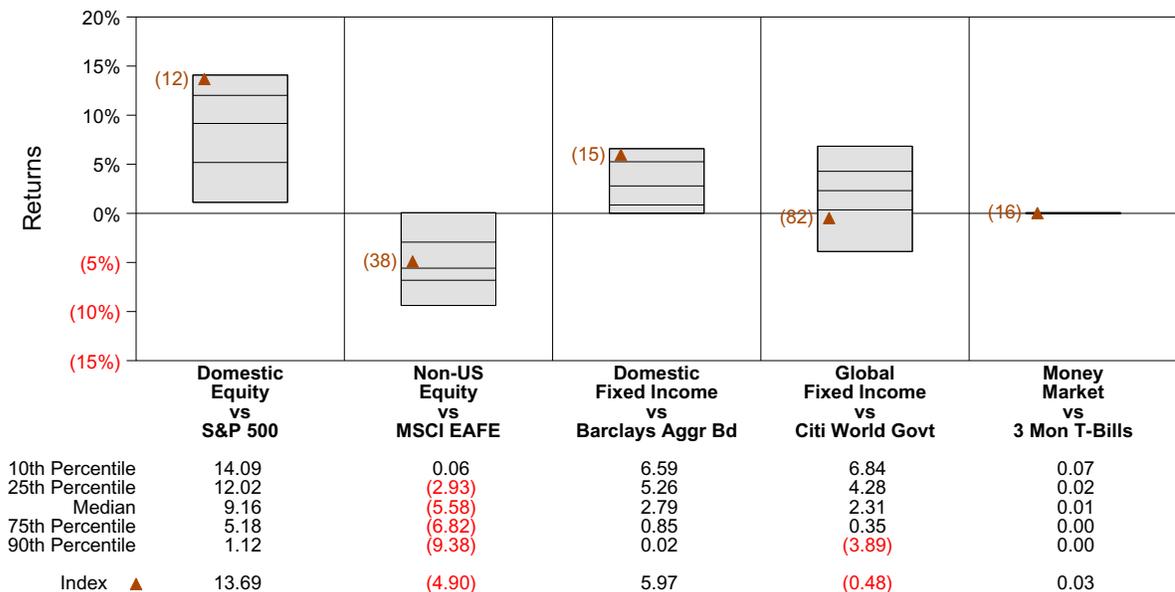
#### Market Overview

The charts below illustrate the range of returns across managers in Callan's Mutual Fund database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the domestic equity manager database.

#### Range of Mutual Fund Returns by Asset Class One Quarter Ended December 31, 2014



#### Range of Mutual Fund Returns by Asset Class One Year Ended December 31, 2014



## Domestic Equity Active Management Overview

### Active vs. the Index

In the U.S., small and micro caps recovered sharply (Russell 2000: +9.7%, Rmicro: +11.2%) in the 4th quarter while mid and large caps also enjoyed solid gains (Russell Top 200: +4.4%, Russell Midcap: +5.9%). Style produced little differentiation as growth and value moved together in the quarter across capitalization. Within the S&P 500, the Energy sector (-10.7%) suffered notably with falling oil and natural gas prices while Utilities posted the only double digit gain (+13.2%). Active management trailed the equity indices across the board in the 4th quarter. The largest divergence between active and passive was within small cap value with the style group median trailing the S&P 600 Value Index by 329 basis points. For the year, the small value median trailed the index by 373 basis points.

### Large Cap vs. Small Cap

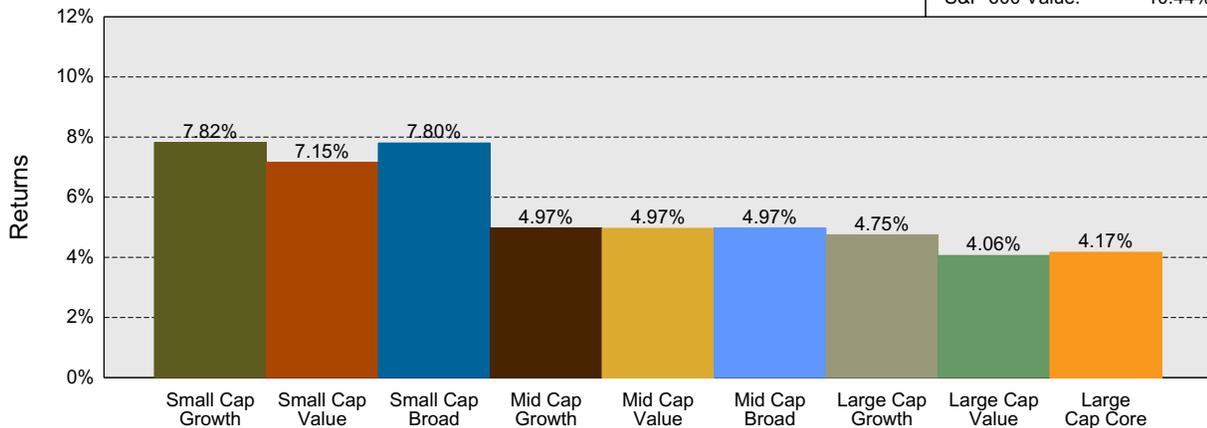
For the 4th quarter, small cap indices posted solid returns, outpacing large cap indices by roughly 500 basis points. Mid cap landed in between with a 6.4% return for the S&P Mid Cap Index. Active management lagged passive across the market cap spectrum. Small cap value experienced the greatest dispersion between the mutual fund median and the index (median +7.15% vs. index +10.44%). For the year, the trend was reversed with small cap indices trailing large cap by as much as 1000 basis points.

### Growth vs. Value

With respect to style, large cap growth outperformed large value by a small margin for the 4th quarter while small value outpaced small growth by over 120 basis points. Small cap value posted the highest gain for the quarter with a 10.4% return for the S&P 600 Value Index while the large cap S&P 500 Value Index returned 4.8%. For the 2014 year, large cap growth was the winner (S&P 500 Growth +14.9%) while small growth was the laggard (S&P 600 Growth +3.9%).

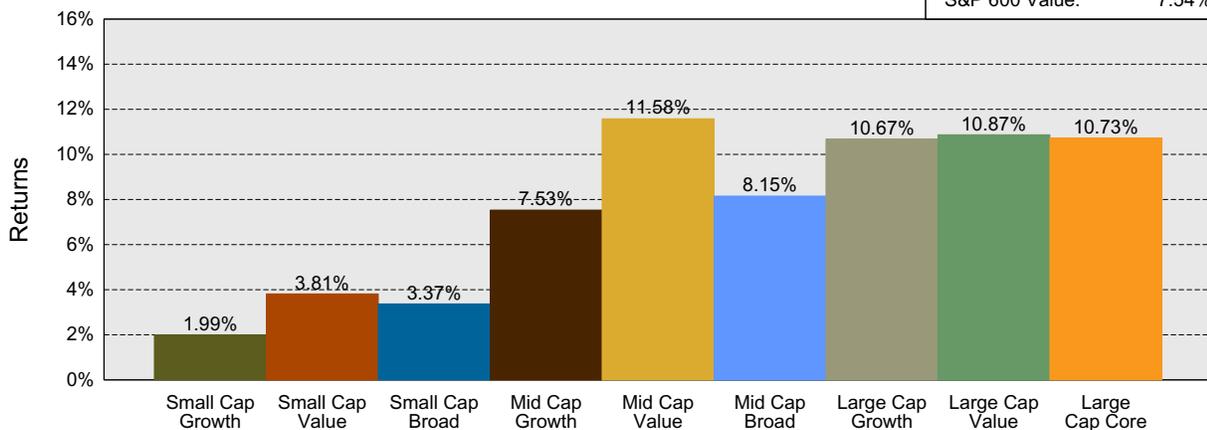
### Mutual Fund Style Group Median Returns for Quarter Ended December 31, 2014

|                 |        |
|-----------------|--------|
| S&P 500:        | 4.93%  |
| S&P 500 Growth: | 5.06%  |
| S&P 500 Value:  | 4.78%  |
| S&P Mid Cap:    | 6.35%  |
| S&P 600:        | 9.85%  |
| S&P 600 Growth: | 9.20%  |
| S&P 600 Value:  | 10.44% |



### Mutual Fund Style Group Median Returns for One Year Ended December 31, 2014

|                 |        |
|-----------------|--------|
| S&P 500:        | 13.69% |
| S&P 500 Growth: | 14.89% |
| S&P 500 Value:  | 12.36% |
| S&P Mid Cap:    | 9.77%  |
| S&P 600:        | 5.76%  |
| S&P 600 Growth: | 3.87%  |
| S&P 600 Value:  | 7.54%  |



# International Equity Active Management Overview

## Active vs. the Index

Developed foreign equities managed positive returns in local currency terms; however, significant dollar strength versus most currencies pushed returns sharply lower in U.S. dollar terms for the 4th quarter (MSCI EAFE Local: +1.8%, EAFE U.S.\$: -3.6%). In contrast to the U.S., style provided some differentiation overseas as growth outperformed value in developed markets (EAFE Growth: -2.3%, Value: -4.9%). Small caps eclipsed larger issues (EAFE SC: -2.3%). By and large, active management outpaced passive within non-US developed markets.

## Europe

MSCI Europe was once again the lowest performer among the non-US developed indices with a decline of 4.4% for the 4th quarter. The Europe mutual fund peer group median outpaced the index with its -2.5% return.

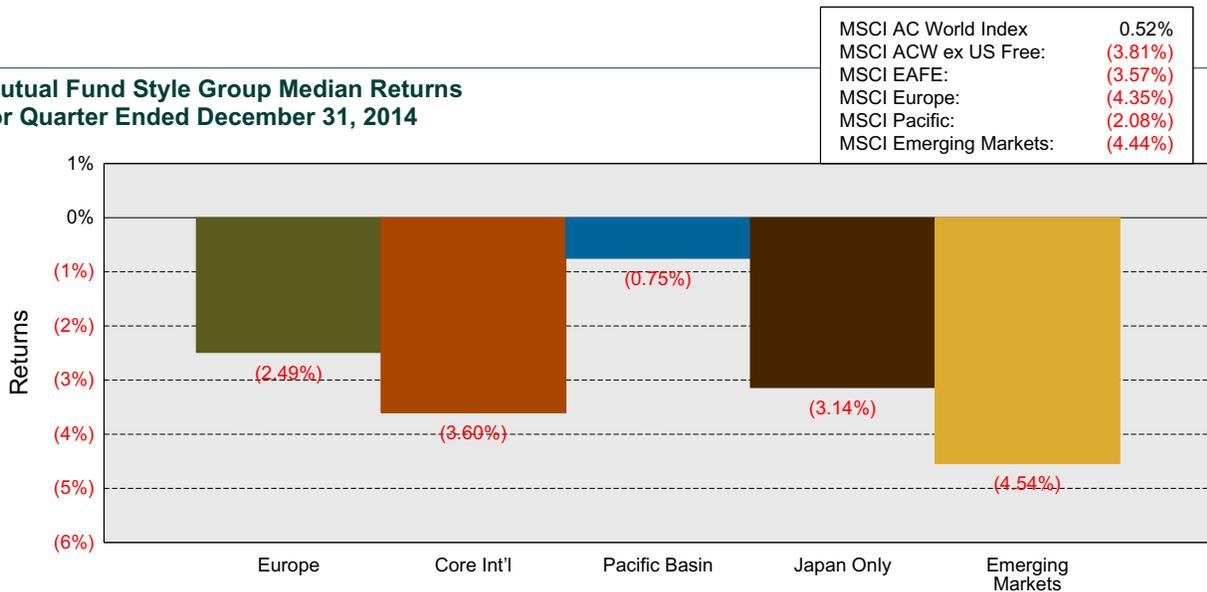
## Pacific

The MSCI Pacific Index returned -2.1% for the 4th quarter. The median fund within the Pacific Basin peer group outpaced the Index with its modest decline of -0.75%.

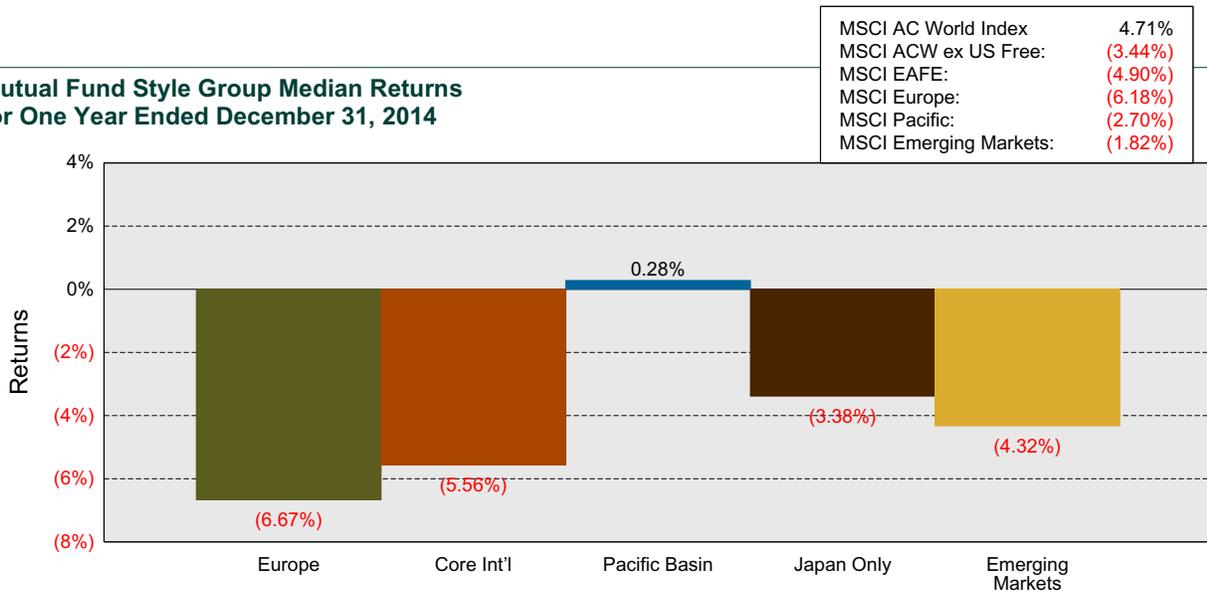
## Emerging Markets

Emerging market equities trailed developed in local terms; however, more muted currency effects allowed EM to outperform developed in U.S. dollar terms. The MSCI EM Index fell 4.4% in the 4th quarter and the median of the emerging markets fund style group posted similar results (-4.5%). Russia (-33.8%) stumbled on declining oil prices while China was the best performing country globally with a 7.2% advance in the 4th quarter.

**Mutual Fund Style Group Median Returns  
for Quarter Ended December 31, 2014**



**Mutual Fund Style Group Median Returns  
for One Year Ended December 31, 2014**



## Domestic Fixed Income Active Management Overview

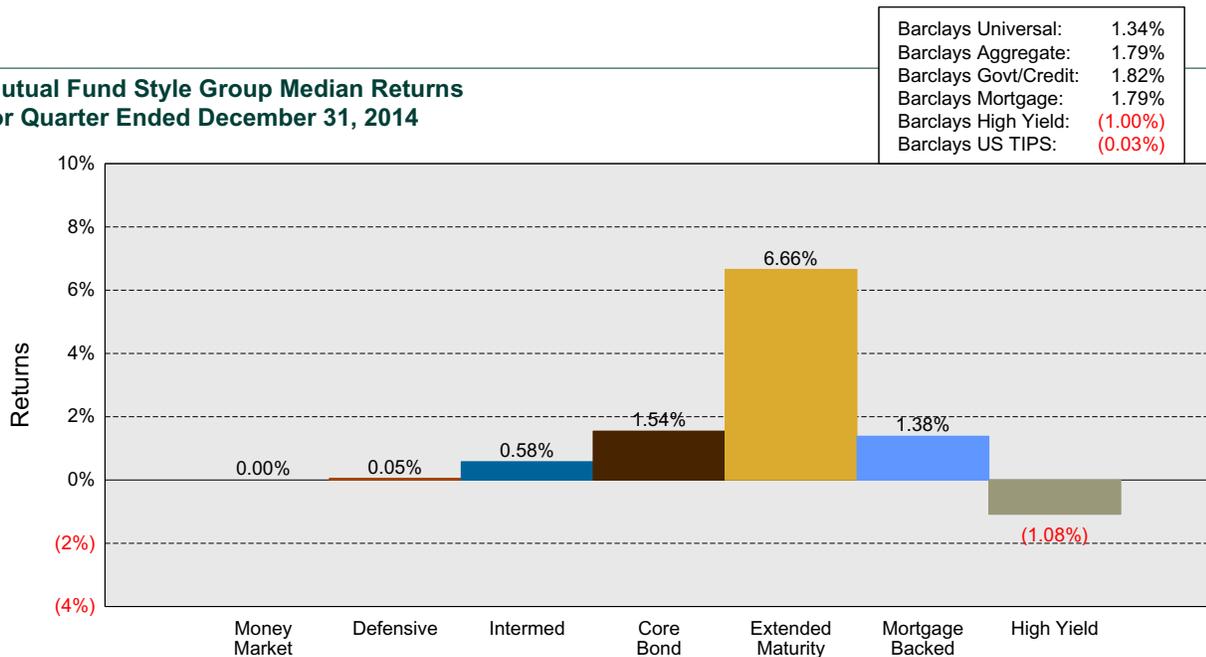
### Active vs. the Index

The Barclays U.S. Aggregate Index returned 1.8% in the 4th quarter, bringing 2014 returns to a very respectable 6.0%. The 10-year U.S. Treasury finished the year at 2.17%, 87 bps lower than 12/31/13 and 35 bps lower than 9/30. The yield curve continued to flatten. TIPS underperformed nominal Treasuries as prospects for inflation all but evaporated with the collapse in oil prices. The Barclays TIPS Index returned -0.0% for the quarter and 3.6% for the year, far short of its nominal Treasury counterparts. Within the Aggregate Index, corporates underperformed like-duration U.S. Treasuries by 112 bps in the 4th quarter with energy-related credits faring the worst. The energy sector underperformed Treasuries by more than 460 bps. The Barclays Corporate High Yield Index returned -1.0% for the quarter, trimming its full year return to 2.5%. Energy comprises about 15% of this Index, and energy-related high yield credits sank more than 10% over the quarter as falling oil prices raised credit concerns at leveraged energy companies.

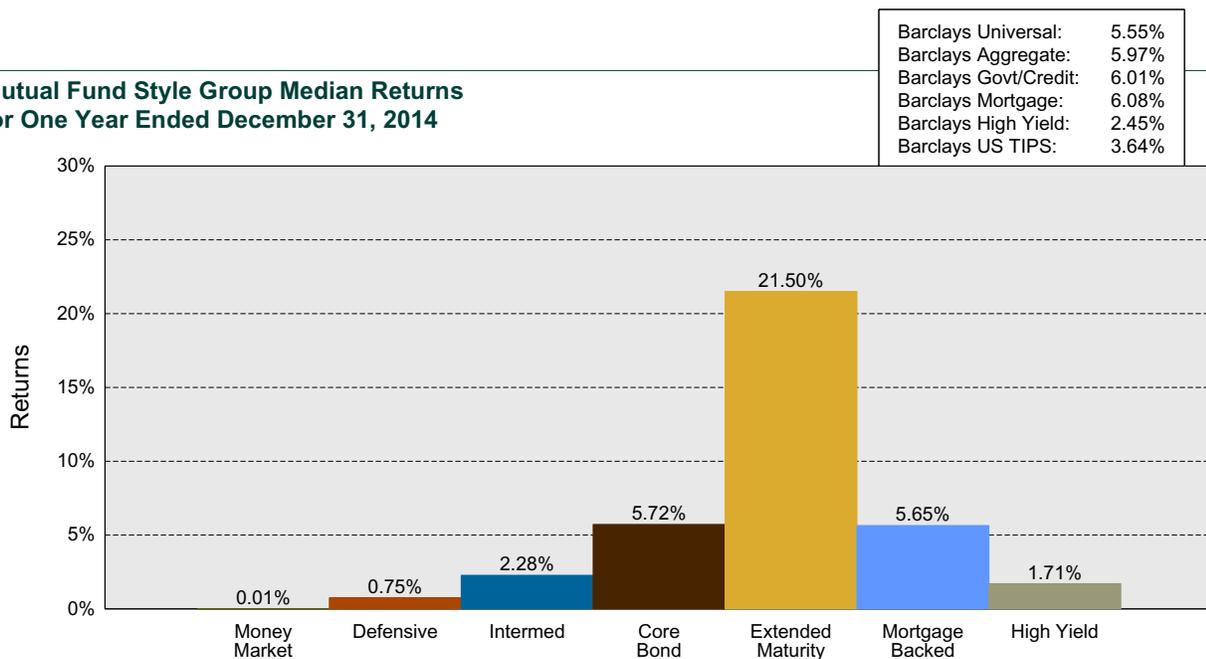
### Intermediate vs. Long Duration

Longer duration funds outperformed intermediate and short duration strategies in the 4th quarter as interest rates fell and the yield curve continued to flatten. The median Extended Maturity fund returned 6.66% while the median Intermediate and Defensive funds were essentially flat.

**Mutual Fund Style Group Median Returns  
for Quarter Ended December 31, 2014**



**Mutual Fund Style Group Median Returns  
for One Year Ended December 31, 2014**





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## ASSET ALLOCATION AND PERFORMANCE

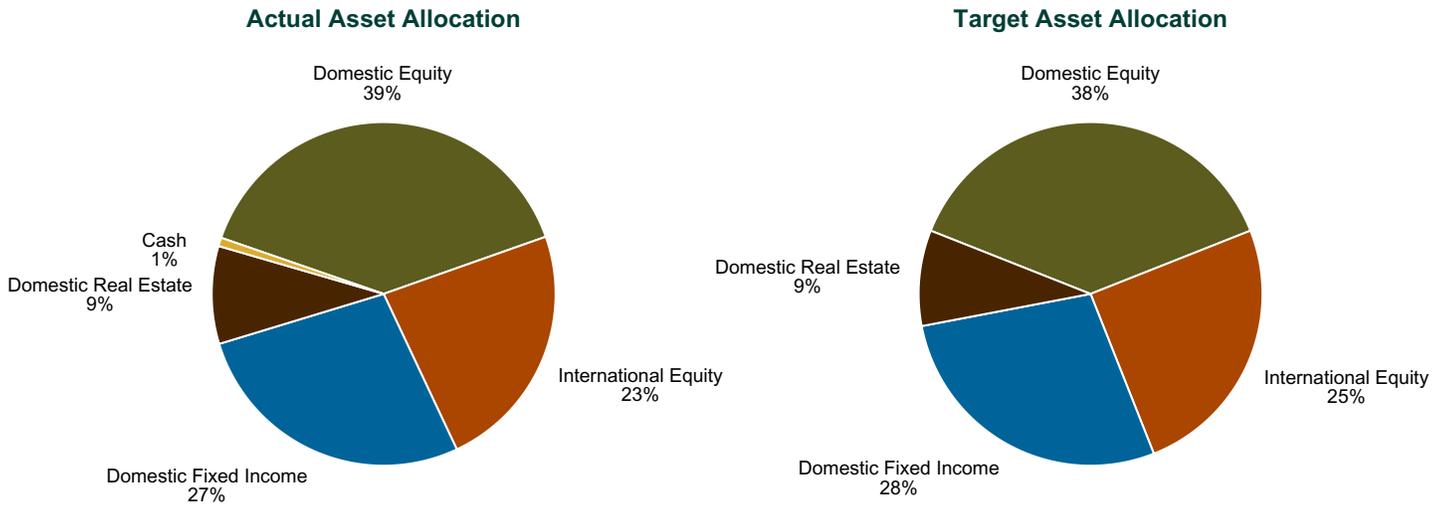
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### **Asset Allocation and Performance**

This section begins with an overview of the fund's asset allocation at the broad asset class level. This is followed by a top down performance attribution analysis which analyzes the fund's performance relative to the performance of the fund's policy target asset allocation. The fund's historical performance is then examined relative to funds with similar objectives. Performance of each asset class is then shown relative to the asset class performance of other funds. Finally, a summary is presented of the holdings of the fund's investment managers, and the returns of those managers over various recent periods.

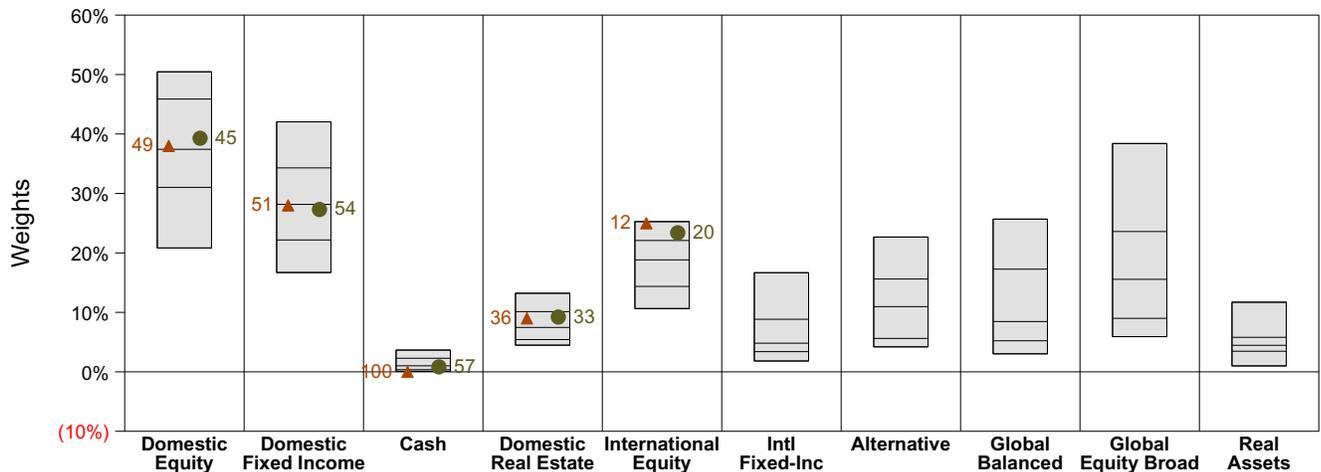
## Actual vs Target Asset Allocation As of December 31, 2014

The top left chart shows the Fund's asset allocation as of December 31, 2014. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the Public Fund Sponsor Database.



| Asset Class           | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|-----------------------|---------------|---------------|--------|--------------------|-------------------|
| Domestic Equity       | 171,233       | 39.3%         | 38.0%  | 1.3%               | 5,601             |
| International Equity  | 101,913       | 23.4%         | 25.0%  | (1.6%)             | (7,055)           |
| Domestic Fixed Income | 118,992       | 27.3%         | 28.0%  | (0.7%)             | (3,052)           |
| Domestic Real Estate  | 40,130        | 9.2%          | 9.0%   | 0.2%               | 901               |
| Cash                  | 3,605         | 0.8%          | 0.0%   | 0.8%               | 3,605             |
| Total                 | 435,873       | 100.0%        | 100.0% |                    |                   |

### Asset Class Weights vs Public Fund Sponsor Database



|                  | Domestic Equity | Domestic Fixed Income | Cash   | Domestic Real Estate | International Equity | Intl Fixed-Inc | Alternative | Global Balanced | Global Equity Broad | Real Assets |
|------------------|-----------------|-----------------------|--------|----------------------|----------------------|----------------|-------------|-----------------|---------------------|-------------|
| 10th Percentile  | 50.46           | 42.04                 | 3.65   | 13.22                | 25.26                | 16.67          | 22.67       | 25.68           | 38.40               | 11.71       |
| 25th Percentile  | 45.88           | 34.30                 | 2.28   | 10.12                | 22.09                | 8.84           | 15.61       | 17.27           | 23.60               | 5.81        |
| Median           | 37.43           | 28.16                 | 1.01   | 7.46                 | 18.83                | 4.81           | 10.96       | 8.46            | 15.56               | 4.46        |
| 75th Percentile  | 31.02           | 22.18                 | 0.35   | 5.42                 | 14.36                | 3.39           | 5.62        | 5.22            | 8.99                | 3.46        |
| 90th Percentile  | 20.83           | 16.70                 | 0.08   | 4.48                 | 10.64                | 1.82           | 4.20        | 3.03            | 5.92                | 0.99        |
| <b>Fund</b> ●    | 39.29           | 27.30                 | 0.83   | 9.21                 | 23.38                | -              | -           | -               | -                   | -           |
| <b>Target</b> ▲  | 38.00           | 28.00                 | 0.00   | 9.00                 | 25.00                | -              | -           | -               | -                   | -           |
| % Group Invested | 98.73%          | 98.10%                | 68.99% | 62.03%               | 97.47%               | 17.72%         | 46.84%      | 22.15%          | 20.89%              | 6.33%       |

\* Current Quarter Target = 38.0% Russell 3000 Index, 28.0% Barclays Aggregate Index, 25.0% MSCI ACWI ex US Index, 7.2% NFI-ODCE Equal Weight Net and 1.8% NAREIT.

## Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of December 31, 2014, with the distribution as of September 30, 2014. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

### Asset Distribution Across Investment Managers

|                               | December 31, 2014    |               |                      | September 30, 2014   |                      |               |
|-------------------------------|----------------------|---------------|----------------------|----------------------|----------------------|---------------|
|                               | Market Value         | Weight        | Net New Inv.         | Inv. Return          | Market Value         | Weight        |
| <b>Domestic Equities</b>      | <b>\$171,232,977</b> | <b>39.29%</b> | <b>\$(7,001,429)</b> | <b>\$8,488,523</b>   | <b>\$169,745,883</b> | <b>39.42%</b> |
| <b>Large Cap Equities</b>     | <b>\$118,775,579</b> | <b>27.25%</b> | <b>\$(7,017,617)</b> | <b>\$4,950,310</b>   | <b>\$120,842,886</b> | <b>28.06%</b> |
| Vanguard S&P 500 Index        | 22,196,888           | 5.09%         | (3,000,000)          | 1,012,687            | 24,184,201           | 5.62%         |
| Dodge & Cox Stock             | 23,319,747           | 5.35%         | (1,048,294)          | 473,273              | 23,894,767           | 5.55%         |
| Boston Partners               | 24,815,817           | 5.69%         | 30,677               | 1,262,221            | 23,522,919           | 5.46%         |
| Harbor Cap Appreciation       | 24,119,685           | 5.53%         | (1,000,000)          | 755,088              | 24,364,597           | 5.66%         |
| Janus Research                | 24,323,442           | 5.58%         | (2,000,000)          | 1,447,040            | 24,876,402           | 5.78%         |
| <b>Mid Cap Equities</b>       | <b>\$19,694,580</b>  | <b>4.52%</b>  | <b>\$0</b>           | <b>\$939,462</b>     | <b>\$18,755,118</b>  | <b>4.36%</b>  |
| Fidelity Low Priced Stock     | 5,023,048            | 1.15%         | 0                    | 201,635              | 4,821,413            | 1.12%         |
| Royce Total Return            | 4,759,428            | 1.09%         | 0                    | 248,726              | 4,510,702            | 1.05%         |
| Morgan Stanley                | 4,834,897            | 1.11%         | 0                    | 126,646              | 4,708,251            | 1.09%         |
| Janus Enterprise              | 5,077,207            | 1.16%         | 0                    | 362,455              | 4,714,752            | 1.09%         |
| <b>Small Cap Equities</b>     | <b>\$24,410,685</b>  | <b>5.60%</b>  | <b>\$16,188</b>      | <b>\$1,689,182</b>   | <b>\$22,705,315</b>  | <b>5.27%</b>  |
| Prudential Small Cap Value    | 12,729,458           | 2.92%         | 0                    | 860,550              | 11,868,908           | 2.76%         |
| AB US Small Growth            | 6,492,257            | 1.49%         | 16,188               | 187,776              | 6,288,293            | 1.46%         |
| RS Investments                | 5,188,970            | 1.19%         | 0                    | 640,857              | 4,548,114            | 1.06%         |
| <b>Micro Cap Equities</b>     | <b>\$8,352,133</b>   | <b>1.92%</b>  | <b>\$0</b>           | <b>\$909,569</b>     | <b>\$7,442,564</b>   | <b>1.73%</b>  |
| Managers Inst Micro Cap       | 8,352,133            | 1.92%         | 0                    | 909,569              | 7,442,564            | 1.73%         |
| <b>International Equities</b> | <b>\$101,912,992</b> | <b>23.38%</b> | <b>\$40,640</b>      | <b>\$(4,161,708)</b> | <b>\$106,034,060</b> | <b>24.62%</b> |
| EuroPacific                   | 20,368,567           | 4.67%         | 0                    | (337,653)            | 20,706,220           | 4.81%         |
| Harbor International          | 19,142,251           | 4.39%         | 0                    | (808,117)            | 19,950,367           | 4.63%         |
| Columbia Acorn Int'l          | 10,638,643           | 2.44%         | 0                    | (284,775)            | 10,923,418           | 2.54%         |
| Janus Overseas                | 16,167,056           | 3.71%         | 0                    | (1,723,875)          | 17,890,931           | 4.15%         |
| Oakmark International         | 15,251,015           | 3.50%         | 0                    | (69,531)             | 15,320,545           | 3.56%         |
| Mondrian International        | 20,345,460           | 4.67%         | 40,640               | (937,758)            | 21,242,578           | 4.93%         |
| <b>Domestic Fixed Income</b>  | <b>\$118,992,255</b> | <b>27.30%</b> | <b>\$3,138,967</b>   | <b>\$1,276,095</b>   | <b>\$114,577,193</b> | <b>26.61%</b> |
| Dodge & Cox Income            | 59,862,843           | 13.73%        | 1,623,561            | 513,836              | 57,725,447           | 13.40%        |
| PIMCO                         | 59,129,412           | 13.57%        | 1,515,406            | 762,259              | 56,851,746           | 13.20%        |
| <b>Real Estate</b>            | <b>\$40,129,553</b>  | <b>9.21%</b>  | <b>\$(21,131)</b>    | <b>\$1,820,357</b>   | <b>\$38,330,328</b>  | <b>8.90%</b>  |
| RREEF Public Fund             | 8,549,968            | 1.96%         | 0                    | 1,133,952            | 7,416,016            | 1.72%         |
| RREEF Private Fund            | 17,570,320           | 4.03%         | 0                    | 453,486              | 17,116,834           | 3.97%         |
| Cornerstone Patriot Fund      | 13,145,266           | 3.02%         | 0                    | 211,788              | 12,933,478           | 3.00%         |
| 625 Kings Court               | 864,000              | 0.20%         | (21,131)             | 21,131               | 864,000              | 0.20%         |
| <b>Cash</b>                   | <b>\$3,605,012</b>   | <b>0.83%</b>  | <b>\$1,645,123</b>   | <b>\$()</b>          | <b>\$1,959,889</b>   | <b>0.46%</b>  |
| <b>Total Fund</b>             | <b>\$435,872,789</b> | <b>100.0%</b> | <b>\$(2,197,830)</b> | <b>\$7,423,267</b>   | <b>\$430,647,353</b> | <b>100.0%</b> |

## Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended December 31, 2014. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

### Returns for Periods Ended December 31, 2014

|                            | Last<br>Quarter | Last<br>Year | Last<br>3<br>Years | Last<br>5<br>Years | Last<br>7<br>Years |
|----------------------------|-----------------|--------------|--------------------|--------------------|--------------------|
| <b>Domestic Equities</b>   | <b>5.23%</b>    | <b>9.59%</b> | <b>20.99%</b>      | <b>15.74%</b>      | <b>7.96%</b>       |
| Russell 3000 Index         | 5.24%           | 12.56%       | 20.51%             | 15.63%             | 7.54%              |
| <b>Large Cap Equities</b>  |                 |              |                    |                    |                    |
| Vanguard S&P 500 Index     | 4.93%           | 13.65%       | -                  | -                  | -                  |
| S&P 500 Index              | 4.93%           | 13.69%       | 20.41%             | 15.45%             | 7.27%              |
| Dodge & Cox Stock          | 2.21%           | 10.40%       | 23.71%             | 15.56%             | 6.30%              |
| Boston Partners            | 5.36%           | 10.87%       | 22.05%             | -                  | -                  |
| S&P 500 Index              | 4.93%           | 13.69%       | 20.41%             | 15.45%             | 7.27%              |
| Russell 1000 Value Index   | 4.98%           | 13.45%       | 20.89%             | 15.42%             | 6.45%              |
| Harbor Cap Appreciation    | 3.26%           | 9.93%        | 20.52%             | 14.48%             | 8.36%              |
| Janus Research (1)         | 6.39%           | 14.10%       | 21.73%             | 16.04%             | 7.64%              |
| S&P 500 Index              | 4.93%           | 13.69%       | 20.41%             | 15.45%             | 7.27%              |
| Russell 1000 Growth Index  | 4.78%           | 13.05%       | 20.26%             | 15.81%             | 8.41%              |
| <b>Mid Cap Equities</b>    |                 |              |                    |                    |                    |
| Fidelity Low Priced Stock  | 4.18%           | 7.65%        | 19.66%             | 15.63%             | 9.06%              |
| Royce Total Return (1)     | 5.51%           | 1.51%        | 15.60%             | 13.45%             | 7.25%              |
| Russell MidCap Value Idx   | 6.05%           | 14.75%       | 21.98%             | 17.43%             | 9.14%              |
| Morgan Stanley (2)         | 2.69%           | 1.47%        | 15.41%             | 13.73%             | 7.03%              |
| Janus Enterprise (1)       | 7.69%           | 12.01%       | 19.98%             | 16.45%             | 8.23%              |
| Russell MidCap Growth Idx  | 5.84%           | 11.90%       | 20.71%             | 16.94%             | 8.59%              |
| <b>Small Cap Equities</b>  |                 |              |                    |                    |                    |
| Prudential Small Cap Value | 7.25%           | 5.89%        | 17.98%             | -                  | -                  |
| US Small Cap Value Idx     | 7.17%           | 7.44%        | 19.50%             | 15.40%             | 8.85%              |
| Russell 2000 Value Index   | 9.40%           | 4.22%        | 18.29%             | 14.26%             | 7.59%              |
| AB US Small Growth         | 2.98%           | (1.24%)      | 18.97%             | 19.71%             | 10.07%             |
| RS Investments (1)         | 14.09%          | 9.67%        | 23.63%             | 18.88%             | 9.66%              |
| Russell 2000 Growth Index  | 10.06%          | 5.60%        | 20.14%             | 16.80%             | 8.73%              |
| <b>Micro Cap Equities</b>  |                 |              |                    |                    |                    |
| Managers Inst Micro Cap    | 12.22%          | 2.62%        | 22.41%             | 18.13%             | 8.79%              |
| Russell Microcap Index     | 11.19%          | 3.65%        | 21.81%             | 16.14%             | 7.16%              |
| Russell Micro Growth Idx   | 12.91%          | 4.30%        | 22.45%             | 16.84%             | 7.67%              |

(1) Switched share class December 2009.

(2) Switched share class in February 2014.

## Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended December 31, 2014. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

### Returns for Periods Ended December 31, 2014

|                                  | Last<br>Quarter | Last<br>Year   | Last<br>3<br>Years | Last<br>5<br>Years | Last<br>7<br>Years |
|----------------------------------|-----------------|----------------|--------------------|--------------------|--------------------|
| <b>International Equities</b>    | <b>(3.92%)</b>  | <b>(5.73%)</b> | <b>10.12%</b>      | <b>5.29%</b>       | <b>0.92%</b>       |
| MSCI ACWI ex-US Index            | (3.81%)         | (3.44%)        | 9.49%              | 4.89%              | (0.17%)            |
| EuroPacific (1)                  | (1.63%)         | (2.29%)        | 12.12%             | 6.05%              | 1.58%              |
| Harbor International             | (4.05%)         | (6.81%)        | 9.59%              | 5.54%              | 0.57%              |
| Columbia Acorn Int'l (2)         | (2.61%)         | (4.23%)        | 12.52%             | 8.48%              | 2.97%              |
| Janus Overseas (1)               | (9.64%)         | (13.57%)       | 2.98%              | (2.55%)            | (4.21%)            |
| Oakmark International            | (0.45%)         | (5.41%)        | 16.50%             | 9.56%              | 5.50%              |
| Mondrian International           | (4.41%)         | (2.06%)        | 8.41%              | -                  | -                  |
| MSCI EAFE Index                  | (3.57%)         | (4.90%)        | 11.06%             | 5.33%              | (0.47%)            |
| MSCI ACWI ex-US Index            | (3.81%)         | (3.44%)        | 9.49%              | 4.89%              | (0.17%)            |
| <b>Domestic Fixed Income</b>     | <b>1.10%</b>    | <b>5.09%</b>   | <b>4.45%</b>       | <b>5.04%</b>       | <b>5.75%</b>       |
| BC Aggregate Index               | 1.79%           | 5.97%          | 2.66%              | 4.45%              | 4.77%              |
| Dodge & Cox Income               | 0.89%           | 5.49%          | 4.65%              | 5.29%              | 6.23%              |
| PIMCO                            | 1.31%           | 4.69%          | 4.26%              | 5.14%              | -                  |
| BC Aggregate Index               | 1.79%           | 5.97%          | 2.66%              | 4.45%              | 4.77%              |
| <b>Real Estate</b>               | <b>4.75%</b>    | <b>14.50%</b>  | <b>11.80%</b>      | <b>13.72%</b>      | <b>3.47%</b>       |
| Real Estate Custom Benchmark (3) | 4.76%           | 14.57%         | 12.27%             | 13.94%             | 5.06%              |
| RREEF Public                     | 15.29%          | 31.88%         | 15.32%             | 16.68%             | 7.79%              |
| NAREIT                           | 12.27%          | 27.23%         | 15.95%             | 16.37%             | 7.83%              |
| RREEF Private                    | 2.65%           | 11.95%         | 12.18%             | 13.83%             | 2.10%              |
| Cornerstone Patriot Fund         | 1.64%           | 8.64%          | 9.54%              | -                  | -                  |
| NFI-ODCE Equal Weight Net        | 2.88%           | 11.42%         | 11.23%             | 12.75%             | 1.54%              |
| 625 Kings Court                  | 2.48%           | 12.15%         | 15.77%             | 7.35%              | 5.20%              |
| <b>Total Fund</b>                | <b>1.74%</b>    | <b>4.72%</b>   | <b>12.82%</b>      | <b>9.92%</b>       | <b>5.62%</b>       |
| Total Fund Benchmark*            | 1.97%           | 6.80%          | 12.01%             | 9.83%              | 5.15%              |

\* Current Quarter Target = 38.0% Russell 3000 Index, 28.0% Barclays Aggregate Index, 25.0% MSCI ACWI ex US Index, 7.2% NFI-ODCE Equal Weight Net and 1.8% NAREIT.

(1) Switched share class December 2009.

(2) Switched share class in February 2014.

(3) Real Estate Custom Benchmark is 50% NAREIT Composite Index and 50% NFI-ODCE Equal Weight Net through 12/31/2011; and 20% NAREIT Composite Index and 80% NFI-ODCE Equal Weight Net thereafter.

## Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

|                            | 2014         | 2013          | 2012          | 2011           | 2010          |
|----------------------------|--------------|---------------|---------------|----------------|---------------|
| <b>Domestic Equities</b>   | <b>9.59%</b> | <b>38.02%</b> | <b>17.10%</b> | <b>(1.96%)</b> | <b>19.63%</b> |
| Russell 3000 Index         | 12.56%       | 33.55%        | 16.42%        | 1.03%          | 16.93%        |
| <b>Large Cap Equities</b>  |              |               |               |                |               |
| Vanguard S&P 500 Index     | 13.65%       | -             | -             | -              | -             |
| Dodge & Cox Stock          | 10.40%       | 40.55%        | 22.01%        | (4.08%)        | 13.49%        |
| Boston Partners            | 10.87%       | 36.43%        | 20.18%        | -              | -             |
| S&P 500 Index              | 13.69%       | 32.39%        | 16.00%        | 2.11%          | 15.06%        |
| Russell 1000 Value Index   | 13.45%       | 32.53%        | 17.51%        | 0.39%          | 15.51%        |
| Harbor Cap Appreciation    | 9.93%        | 37.66%        | 15.69%        | 0.61%          | 11.61%        |
| Janus Research (1)         | 14.10%       | 35.36%        | 16.78%        | (3.76%)        | 21.20%        |
| S&P 500 Index              | 13.69%       | 32.39%        | 16.00%        | 2.11%          | 15.06%        |
| Russell 1000 Growth Index  | 13.05%       | 33.48%        | 15.26%        | 2.64%          | 16.71%        |
| <b>Mid Cap Equities</b>    |              |               |               |                |               |
| Fidelity Low Priced Stock  | 7.65%        | 34.31%        | 18.50%        | (0.06%)        | 20.70%        |
| Royce Total Return (1)     | 1.51%        | 32.93%        | 14.48%        | (1.62%)        | 23.65%        |
| Russell MidCap Value Idx   | 14.75%       | 33.46%        | 18.51%        | (1.38%)        | 24.75%        |
| Morgan Stanley (2)         | 1.47%        | 38.35%        | 9.49%         | (6.89%)        | 32.94%        |
| Janus Enterprise (1)       | 12.01%       | 30.86%        | 17.83%        | (1.65%)        | 26.06%        |
| Russell MidCap Growth Idx  | 11.90%       | 35.74%        | 15.81%        | (1.65%)        | 26.38%        |
| <b>Small Cap Equities</b>  |              |               |               |                |               |
| Prudential Small Cap Value | 5.89%        | 35.87%        | 14.14%        | -              | -             |
| US Small Cap Value Idx     | 7.44%        | 33.71%        | 18.80%        | (4.04%)        | 24.99%        |
| Russell 2000 Value Index   | 4.22%        | 34.52%        | 18.05%        | (5.50%)        | 24.50%        |
| AB US Small Growth         | (1.24%)      | 46.72%        | 16.21%        | 5.42%          | 38.50%        |
| RS Investments (1)         | 9.67%        | 49.64%        | 15.13%        | (2.04%)        | 28.27%        |
| Russell 2000 Growth Index  | 5.60%        | 43.30%        | 14.59%        | (2.91%)        | 29.09%        |
| <b>Micro Cap Equities</b>  |              |               |               |                |               |
| Managers Inst Micro Cap    | 2.62%        | 56.34%        | 14.32%        | (3.91%)        | 30.54%        |
| Russell Microcap Index     | 3.65%        | 45.62%        | 19.75%        | (9.27%)        | 28.89%        |
| Russell Micro Growth Idx   | 4.30%        | 52.84%        | 15.17%        | (8.42%)        | 29.49%        |

(1) Switched share class December 2009.

(2) Switched share class February 2014.

## Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

|                                  | 2014           | 2013           | 2012          | 2011            | 2010          |
|----------------------------------|----------------|----------------|---------------|-----------------|---------------|
| <b>International Equities</b>    | <b>(5.73%)</b> | <b>19.25%</b>  | <b>18.78%</b> | <b>(15.34%)</b> | <b>14.46%</b> |
| MSCI ACWI ex-US Index            | (3.44%)        | 15.78%         | 17.39%        | (13.33%)        | 11.60%        |
| EuroPacific (1)                  | (2.29%)        | 20.58%         | 19.64%        | (13.31%)        | 9.76%         |
| Harbor International             | (6.81%)        | 16.84%         | 20.87%        | (11.13%)        | 11.98%        |
| Columbia Acorn Int'l (2)         | (4.23%)        | 22.33%         | 21.60%        | (14.06%)        | 22.70%        |
| Janus Overseas (1)               | (13.57%)       | 12.28%         | 12.53%        | (32.70%)        | 19.58%        |
| Oakmark International            | (5.41%)        | 29.34%         | 29.22%        | (14.07%)        | 16.22%        |
| Mondrian International           | (2.06%)        | 16.69%         | 11.50%        | -               | -             |
| MSCI EAFE Index                  | (4.90%)        | 22.78%         | 17.32%        | (12.14%)        | 7.75%         |
| MSCI ACWI ex-US Index            | (3.44%)        | 15.78%         | 17.39%        | (13.33%)        | 11.60%        |
| <b>Domestic Fixed Income</b>     | <b>5.09%</b>   | <b>(0.65%)</b> | <b>9.15%</b>  | <b>4.47%</b>    | <b>7.39%</b>  |
| BC Aggregate Index               | 5.97%          | (2.02%)        | 4.21%         | 7.84%           | 6.54%         |
| Dodge & Cox Income               | 5.49%          | 0.64%          | 7.94%         | 4.75%           | 7.81%         |
| PIMCO                            | 4.69%          | (1.92%)        | 10.36%        | 4.16%           | 8.83%         |
| BC Aggregate Index               | 5.97%          | (2.02%)        | 4.21%         | 7.84%           | 6.54%         |
| <b>Real Estate</b>               | <b>14.50%</b>  | <b>10.21%</b>  | <b>10.73%</b> | <b>11.17%</b>   | <b>22.45%</b> |
| Real Estate Custom Benchmark (3) | 14.57%         | 10.40%         | 11.88%        | 11.74%          | 21.46%        |
| RREEF Public                     | 31.88%         | (0.59%)        | 16.97%        | 9.41%           | 28.89%        |
| NAREIT                           | 27.23%         | 2.34%          | 19.73%        | 7.30%           | 27.56%        |
| RREEF Private                    | 11.95%         | 14.50%         | 10.12%        | 13.86%          | 18.90%        |
| Cornerstone Patriot Fund         | 8.64%          | 9.82%          | 10.18%        | -               | -             |
| NFI-ODCE Equal Weight Net        | 11.42%         | 12.36%         | 9.93%         | 14.99%          | 15.12%        |
| 625 Kings Court                  | 12.15%         | 33.50%         | 3.64%         | (11.98%)        | 4.39%         |
| <b>Total Fund</b>                | <b>4.72%</b>   | <b>19.72%</b>  | <b>14.53%</b> | <b>(2.53%)</b>  | <b>14.64%</b> |
| Total Fund Benchmark*            | 6.80%          | 16.47%         | 12.99%        | 0.60%           | 13.04%        |

\* Current Quarter Target = 38.0% Russell 3000 Index, 28.0% Barclays Aggregate Index, 25.0% MSCI ACWI ex US Index, 7.2% NFI-ODCE Equal Weight Net and 1.8% NAREIT.

(1) Switched share class December 2009.

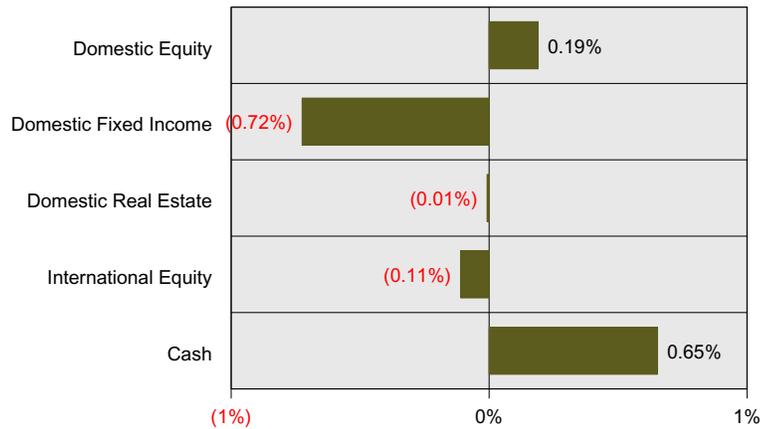
(2) Switched share class February 2014.

(3) Real Estate Custom Benchmark is 50% NAREIT Composite Index and 50% NFI-ODCE Equal Weight Net through 12/31/2011; and 20% NAREIT Composite Index and 80% NFI-ODCE Equal Weight Net thereafter.

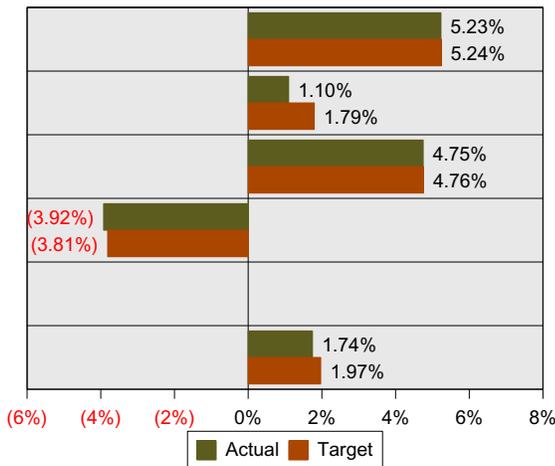
## Quarterly Total Fund Relative Attribution - December 31, 2014

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

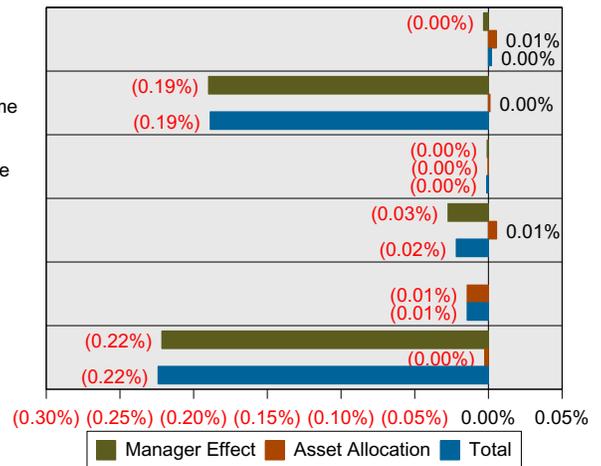
### Asset Class Under or Overweighting



### Actual vs Target Returns



### Relative Attribution by Asset Class



### Relative Attribution Effects for Quarter ended December 31, 2014

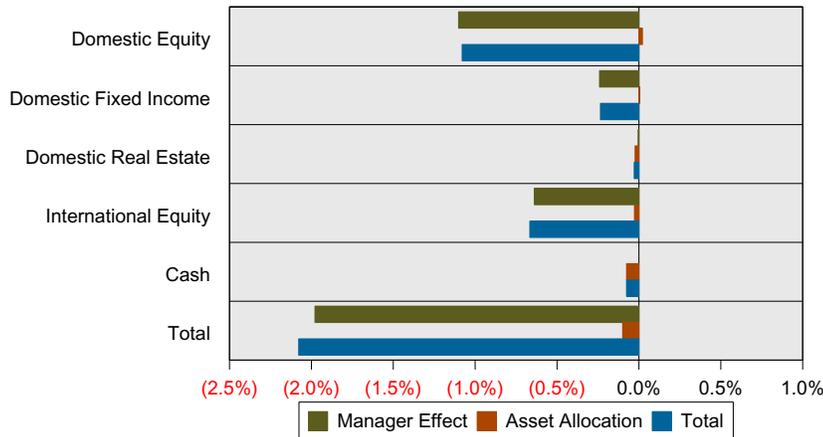
| Asset Class           | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-----------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity       | 38%                     | 38%                     | 5.23%         | 5.24%         | (0.00%)        | 0.01%            | 0.00%                 |
| Domestic Fixed Income | 27%                     | 28%                     | 1.10%         | 1.79%         | (0.19%)        | 0.00%            | (0.19%)               |
| Domestic Real Estate  | 9%                      | 9%                      | 4.75%         | 4.76%         | (0.00%)        | (0.00%)          | (0.00%)               |
| International Equity  | 25%                     | 25%                     | (3.92%)       | (3.81%)       | (0.03%)        | 0.01%            | (0.02%)               |
| Cash                  | 1%                      | 0%                      | 0.00%         | 0.00%         | 0.00%          | (0.01%)          | (0.01%)               |
| <b>Total</b>          |                         |                         | <b>1.74%</b>  | <b>1.97%</b>  | <b>(0.22%)</b> | <b>(0.00%)</b>   | <b>(0.22%)</b>        |

\* Current Quarter Target = 38.0% Russell 3000 Index, 28.0% Barclays Aggregate Index, 25.0% MSCI ACWI ex US Index, 7.2% NFI-ODCE Equal Weight Net and 1.8% NAREIT.

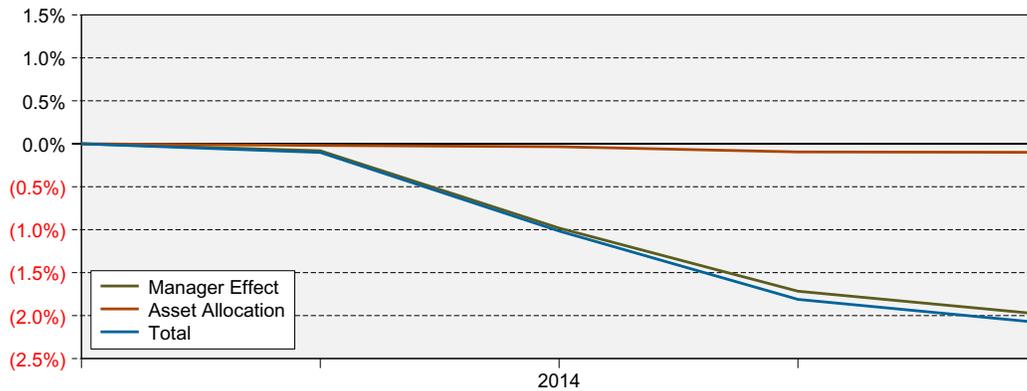
## Cumulative Total Fund Relative Attribution - December 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

### One Year Relative Attribution Effects



### Cumulative Relative Attribution Effects



### One Year Relative Attribution Effects

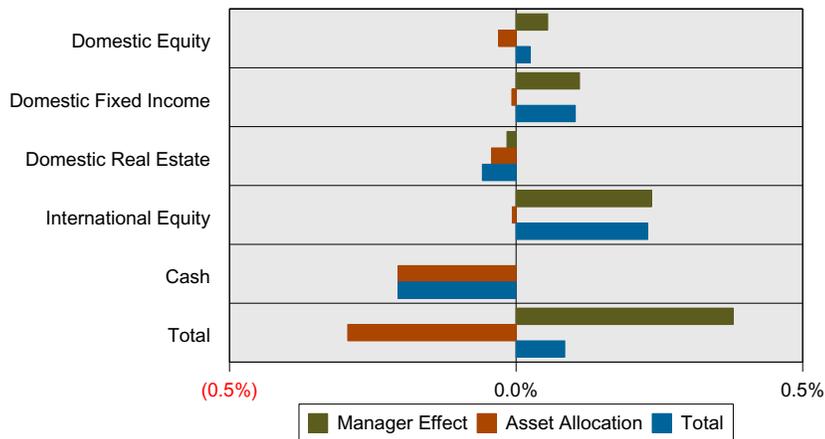
| Asset Class           | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-----------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity       | 39%                     | 38%                     | 9.59%         | 12.56%        | (1.10%)        | 0.02%            | (1.08%)               |
| Domestic Fixed Income | 27%                     | 28%                     | 5.09%         | 5.97%         | (0.24%)        | 0.01%            | (0.24%)               |
| Domestic Real Estate  | 9%                      | 9%                      | 14.50%        | 14.57%        | (0.01%)        | (0.02%)          | (0.03%)               |
| International Equity  | 25%                     | 25%                     | (5.73%)       | (3.44%)       | (0.64%)        | (0.03%)          | (0.67%)               |
| Cash                  | 1%                      | 0%                      | 0.00%         | 0.00%         | 0.00%          | (0.08%)          | (0.08%)               |
| <b>Total</b>          |                         |                         | <b>4.72%</b>  | <b>6.80%</b>  | <b>(1.98%)</b> | <b>(0.10%)</b>   | <b>(2.08%)</b>        |

\* Current Quarter Target = 38.0% Russell 3000 Index, 28.0% Barclays Aggregate Index, 25.0% MSCI ACWI ex US Index, 7.2% NFI-ODCE Equal Weight Net and 1.8% NAREIT.

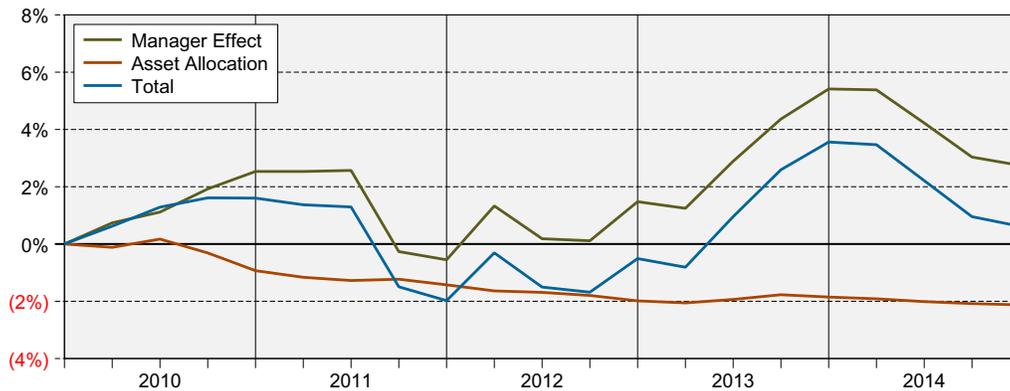
## Cumulative Total Fund Relative Attribution - December 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

### Five Year Annualized Relative Attribution Effects



### Cumulative Relative Attribution Effects



### Five Year Annualized Relative Attribution Effects

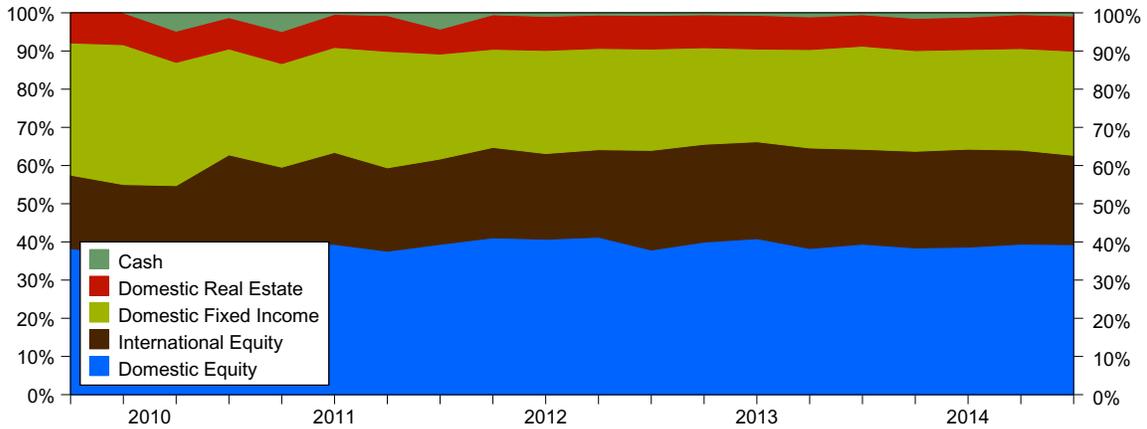
| Asset Class           | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-----------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity       | 39%                     | 38%                     | 15.74%        | 15.63%        | 0.06%          | (0.03%)          | 0.02%                 |
| Domestic Fixed Income | 28%                     | 28%                     | 5.04%         | 4.45%         | 0.11%          | (0.01%)          | 0.10%                 |
| Domestic Real Estate  | 9%                      | 9%                      | 13.72%        | 13.94%        | (0.02%)        | (0.04%)          | (0.06%)               |
| International Equity  | 23%                     | 24%                     | 5.29%         | 4.15%         | 0.24%          | (0.01%)          | 0.23%                 |
| Cash                  | 1%                      | 0%                      | 0.07%         | 0.07%         | 0.00%          | (0.21%)          | (0.21%)               |
| <b>Total</b>          |                         |                         | <b>9.92%</b>  | <b>9.83%</b>  | <b>+ 0.38%</b> | <b>+ (0.29%)</b> | <b>0.08%</b>          |

\* Current Quarter Target = 38.0% Russell 3000 Index, 28.0% Barclays Aggregate Index, 25.0% MSCI ACWI ex US Index, 7.2% NFI-ODCE Equal Weight Net and 1.8% NAREIT.

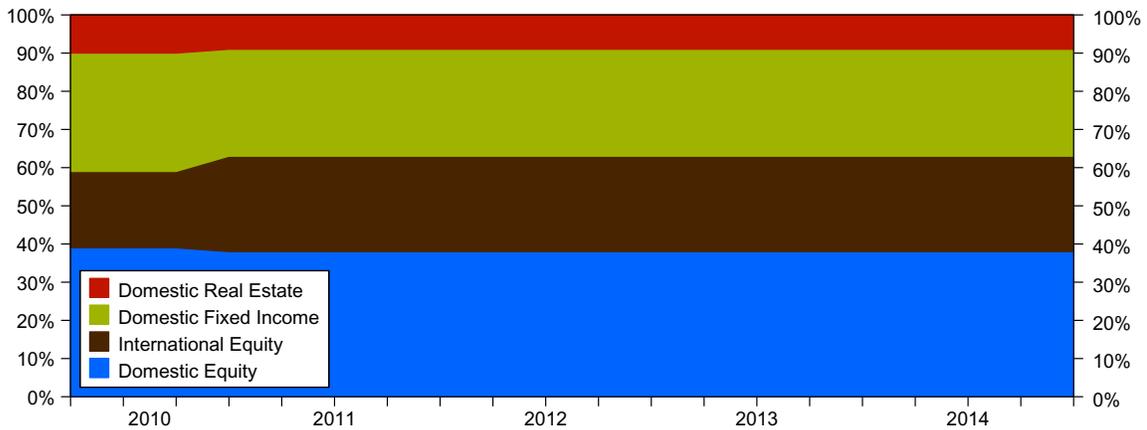
## Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the Public Fund Sponsor Database.

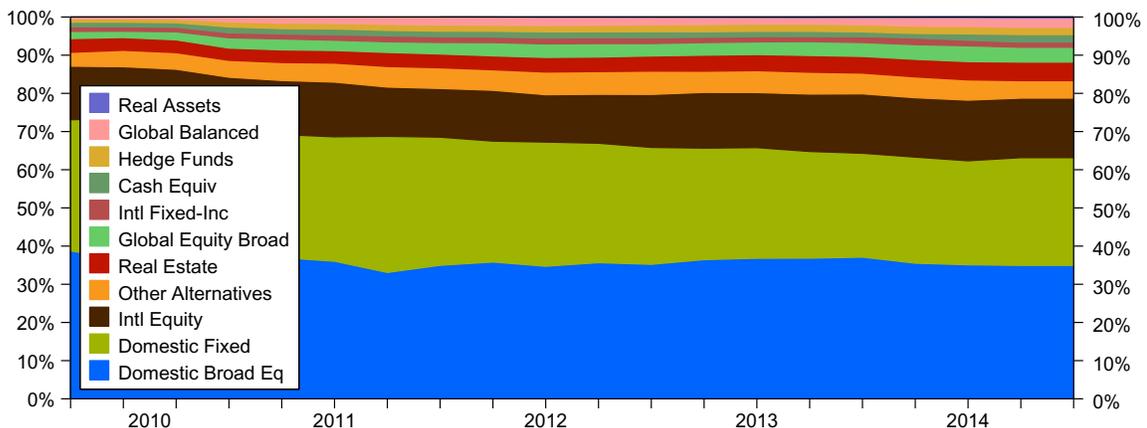
### Actual Historical Asset Allocation



### Target Historical Asset Allocation



### Average Public Fund Sponsor Database Historical Asset Allocation

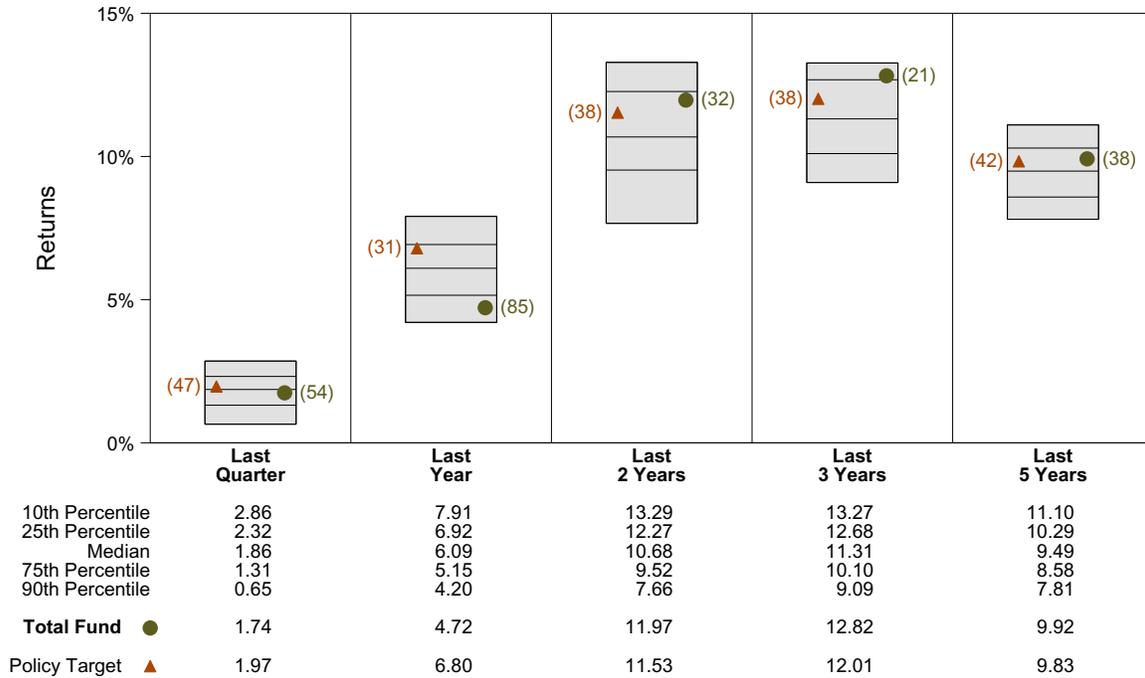


\* Current Quarter Target = 38.0% Russell 3000 Index, 28.0% Barclays Aggregate Index, 25.0% MSCI ACWI ex US Index, 7.2% NFI-ODCE Equal Weight Net and 1.8% NAREIT.

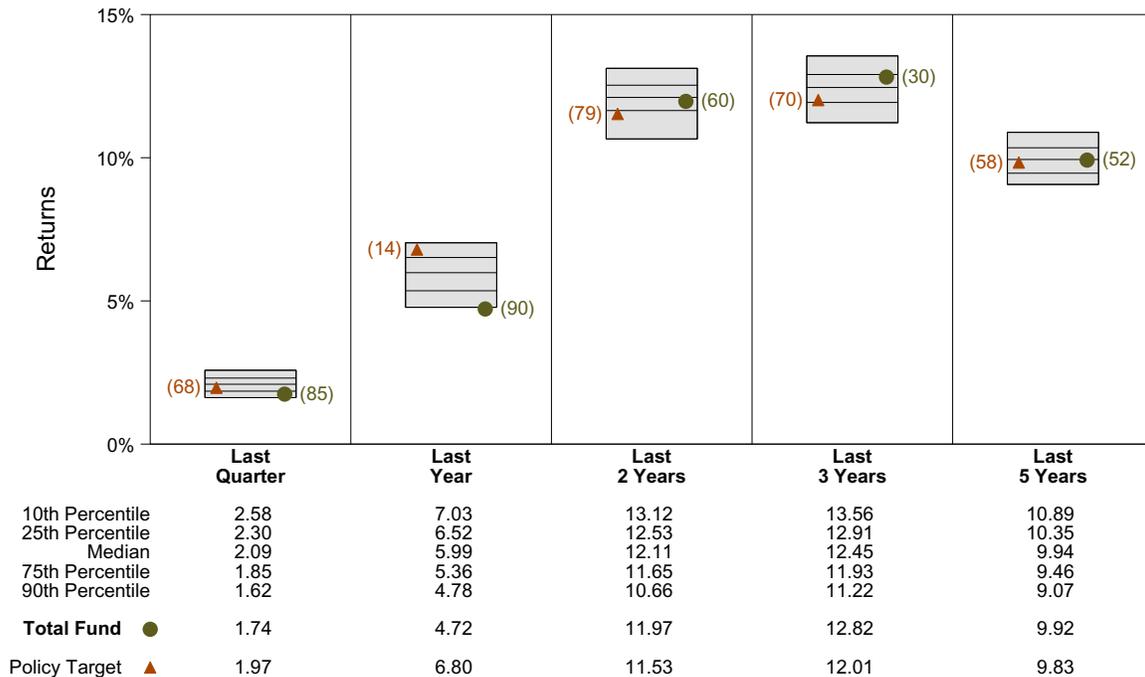
## Total Fund Ranking

The first two charts show the ranking of the Total Fund's performance relative to that of the Public Fund Sponsor Database for periods ended December 31, 2014. The first chart is a standard unadjusted ranking. In the second chart each fund in the database is adjusted to have the same historical asset allocation as that of the Total Fund.

### Public Fund Sponsor Database



### Asset Allocation Adjusted Ranking



\* Current Quarter Target = 38.0% Russell 3000 Index, 28.0% Barclays Aggregate Index, 25.0% MSCI ACWI ex US Index, 7.2% NFI-ODCE Equal Weight Net and 1.8% NAREIT.

# Total Fund

## Period Ended December 31, 2014

### Investment Philosophy

The Public Fund Sponsor Database consists of public employee pension total funds including both Callan Associates client and surveyed non-client funds.

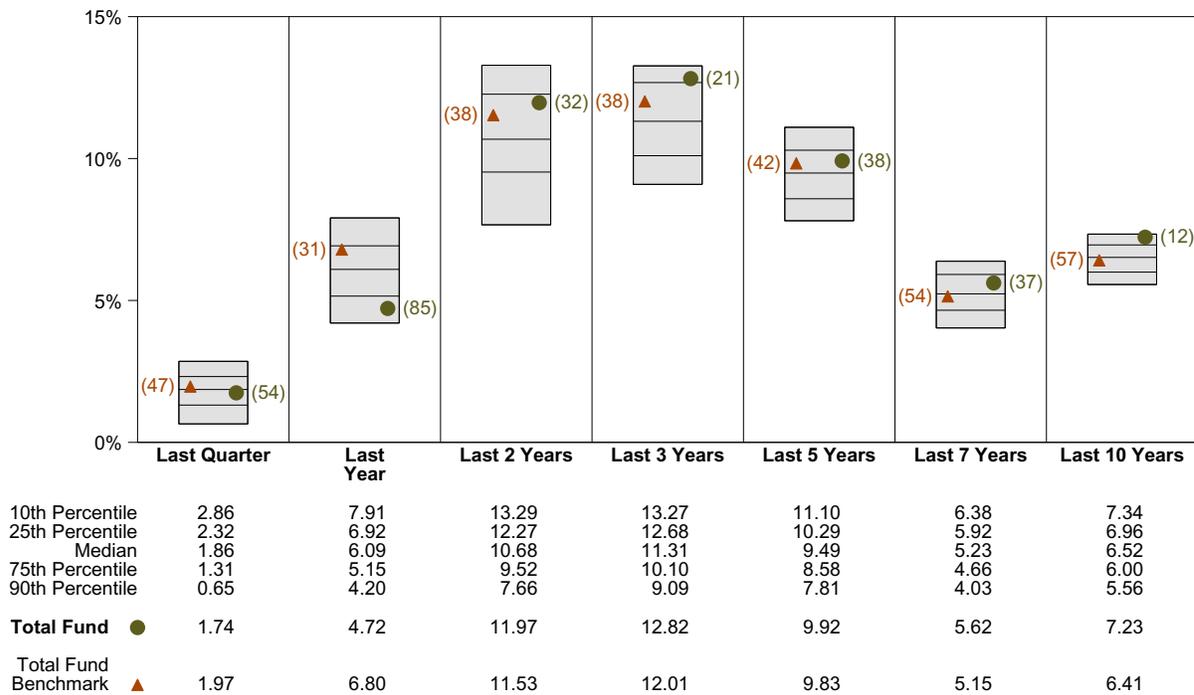
### Quarterly Summary and Highlights

- Total Fund's portfolio posted a 1.74% return for the quarter placing it in the 54 percentile of the Public Fund Sponsor Database group for the quarter and in the 85 percentile for the last year.
- Total Fund's portfolio underperformed the Total Fund Benchmark by 0.22% for the quarter and underperformed the Total Fund Benchmark for the year by 2.08%.

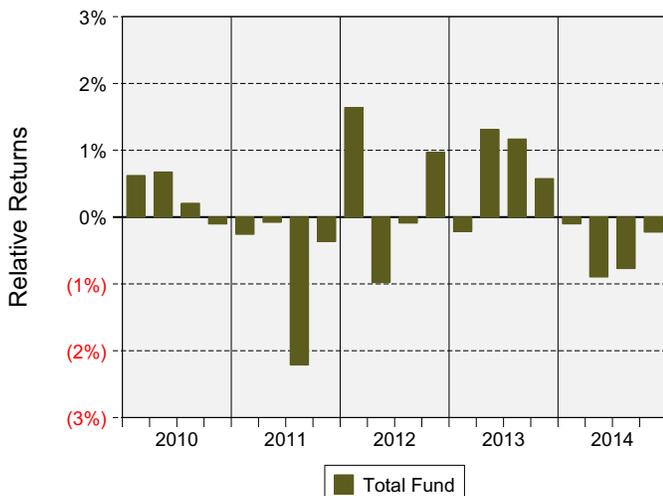
### Quarterly Asset Growth

|                           |               |
|---------------------------|---------------|
| Beginning Market Value    | \$430,647,353 |
| Net New Investment        | \$-2,197,830  |
| Investment Gains/(Losses) | \$7,423,267   |
| Ending Market Value       | \$435,872,789 |

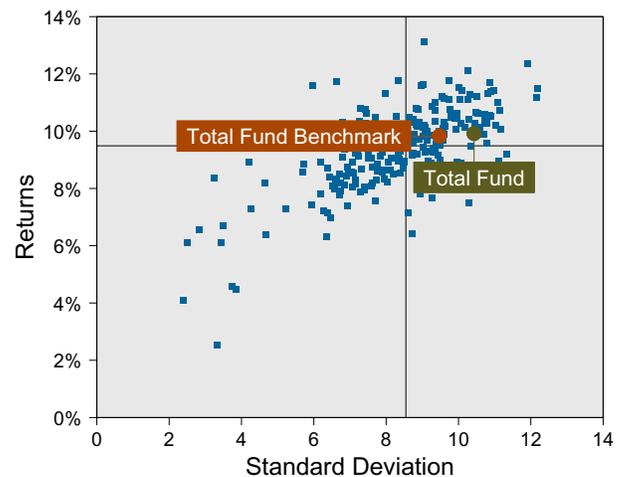
### Performance vs Public Fund Sponsor Database (Gross)



### Relative Return vs Total Fund Benchmark



### Public Fund Sponsor Database (Gross) Annualized Five Year Risk vs Return

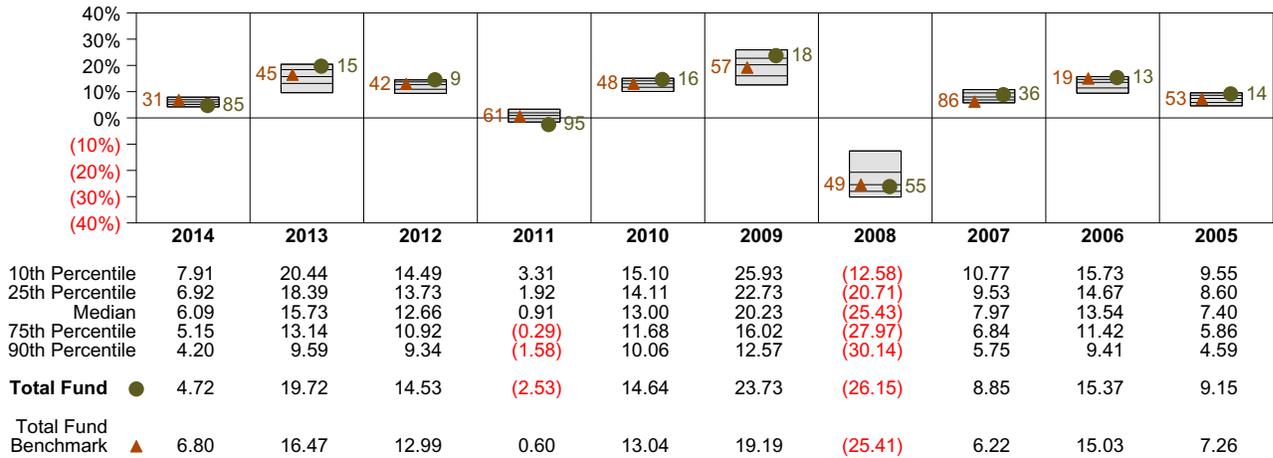


# Total Fund Return Analysis Summary

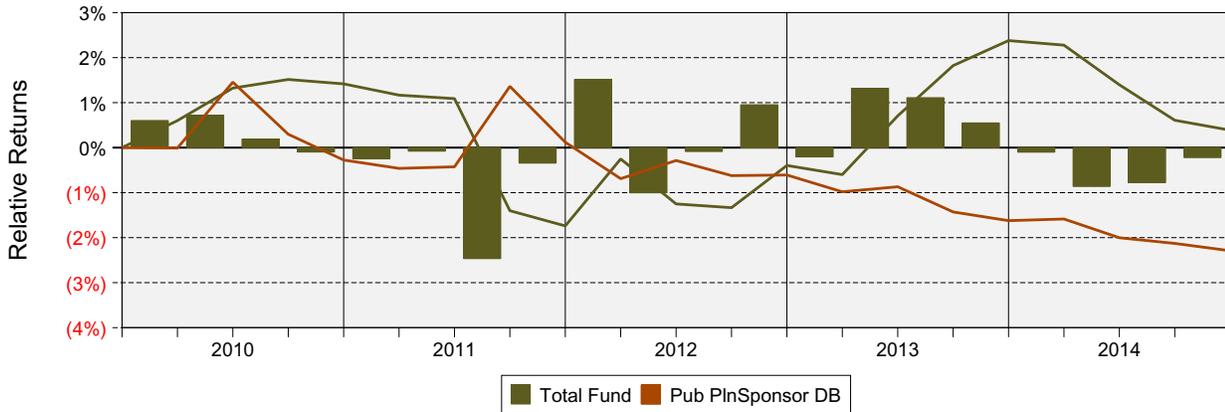
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

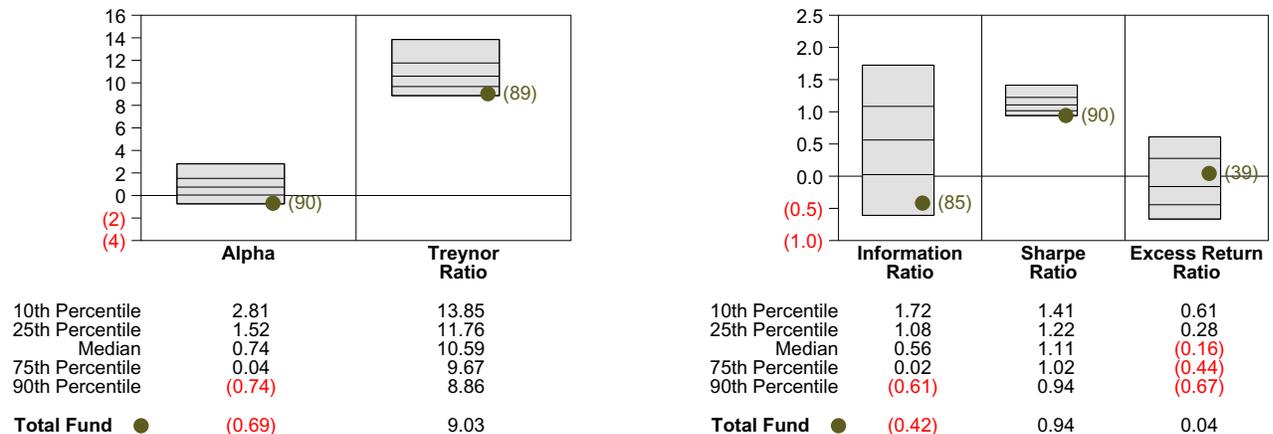
### Performance vs Public Fund Sponsor Database (Gross)



### Cumulative and Quarterly Relative Return vs Total Fund Benchmark



### Risk Adjusted Return Measures vs Total Fund Benchmark Rankings Against Public Fund Sponsor Database (Gross) Five Years Ended December 31, 2014





# Domestic Equity Composite Period Ended December 31, 2014

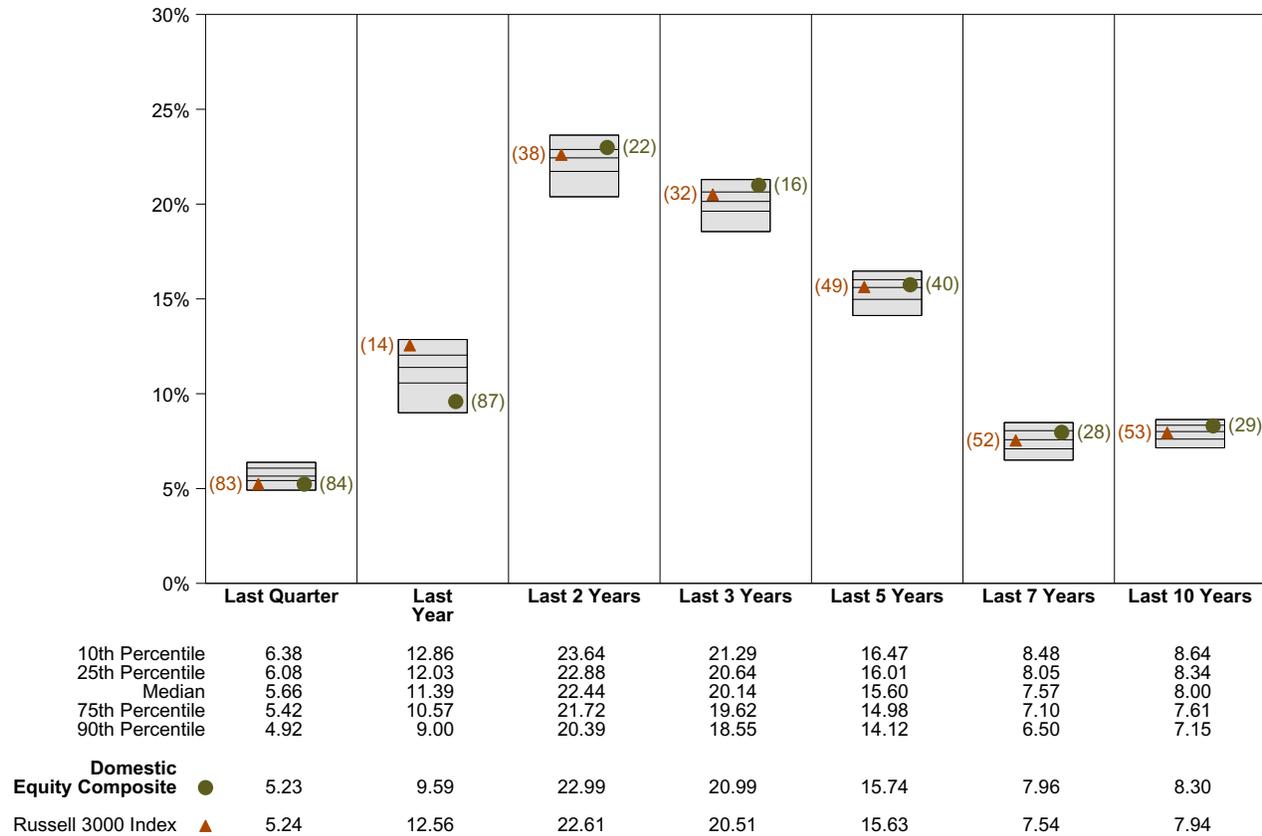
## Quarterly Summary and Highlights

- Domestic Equity Composite's portfolio posted a 5.23% return for the quarter placing it in the 84 percentile of the Pub Pln- Domestic Equity group for the quarter and in the 87 percentile for the last year.
- Domestic Equity Composite's portfolio underperformed the Russell 3000 Index by 0.01% for the quarter and underperformed the Russell 3000 Index for the year by 2.97%.

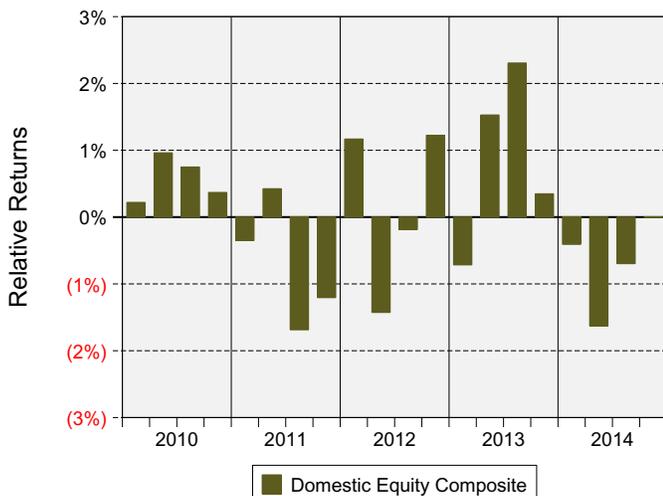
## Quarterly Asset Growth

|                           |               |
|---------------------------|---------------|
| Beginning Market Value    | \$169,745,883 |
| Net New Investment        | \$-7,001,429  |
| Investment Gains/(Losses) | \$8,488,523   |
| Ending Market Value       | \$171,232,977 |

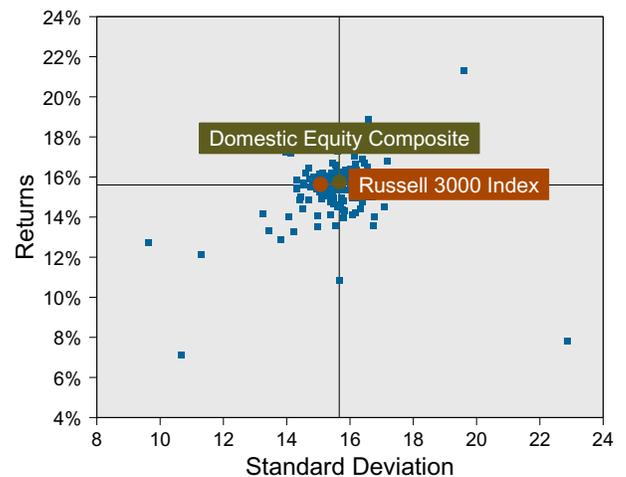
## Performance vs Pub Pln- Domestic Equity (Gross)



## Relative Return vs Russell 3000 Index



## Pub Pln- Domestic Equity (Gross) Annualized Five Year Risk vs Return

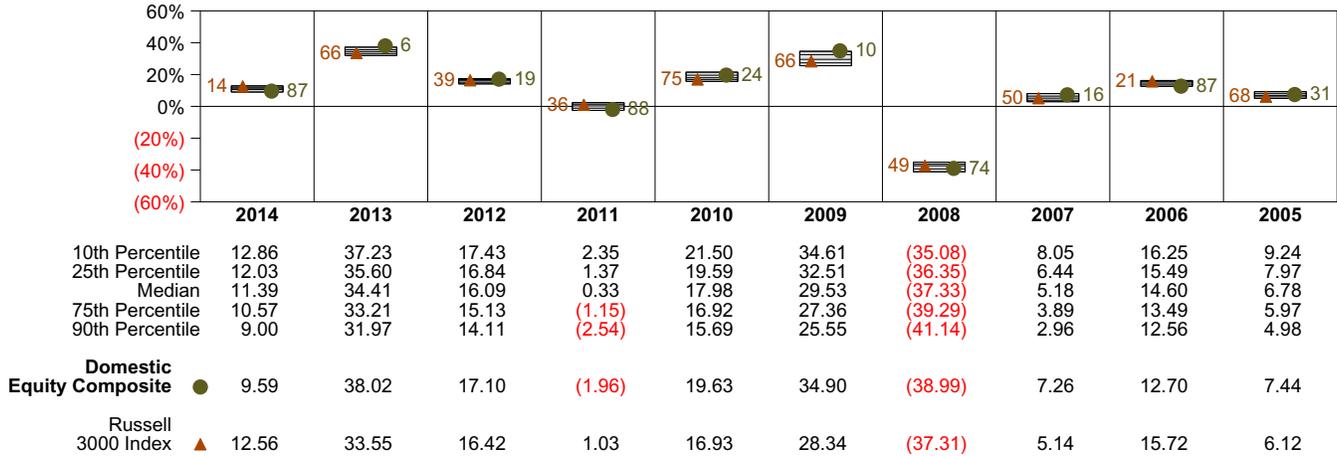


# Domestic Equity Composite Return Analysis Summary

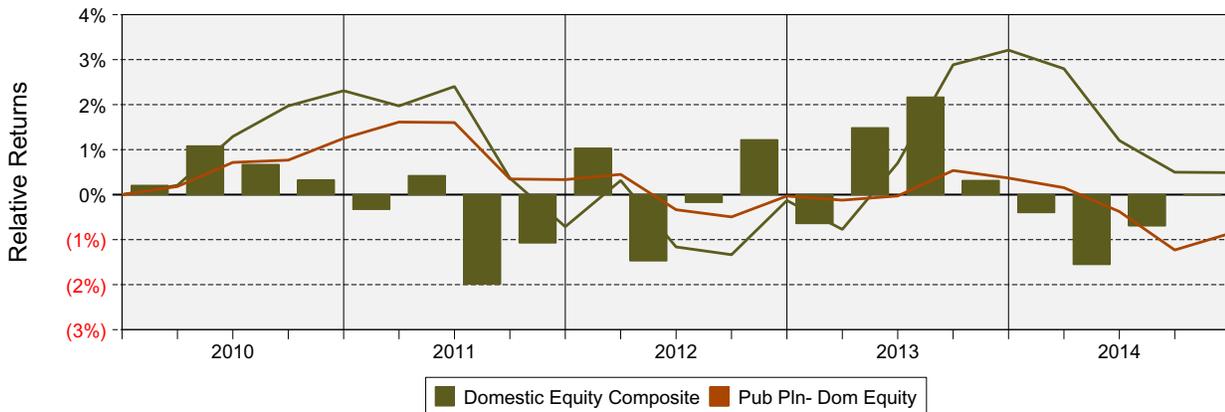
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

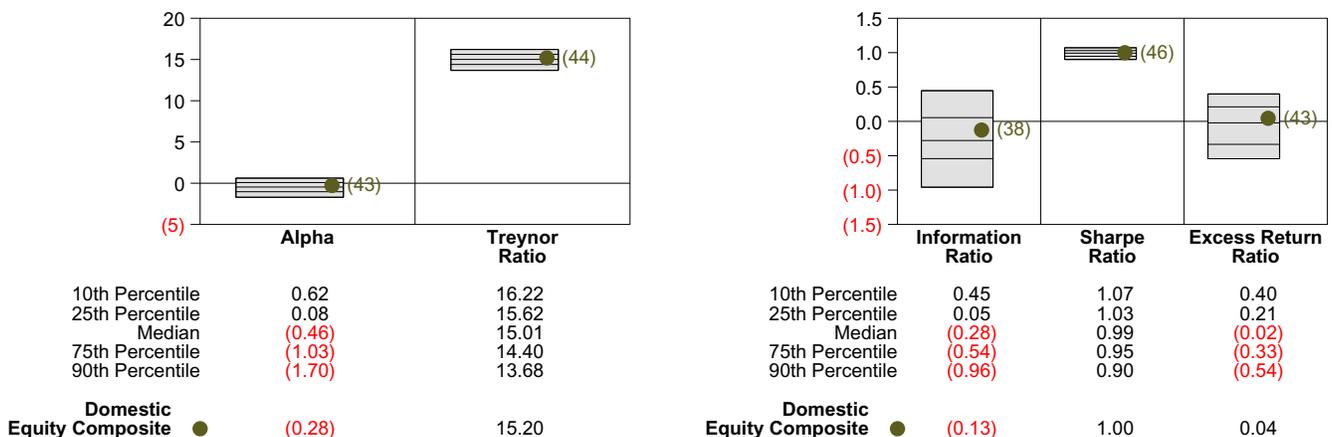
### Performance vs Pub Pln- Domestic Equity (Gross)



### Cumulative and Quarterly Relative Return vs Russell 3000 Index



### Risk Adjusted Return Measures vs Russell 3000 Index Rankings Against Pub Pln- Domestic Equity (Gross) Five Years Ended December 31, 2014

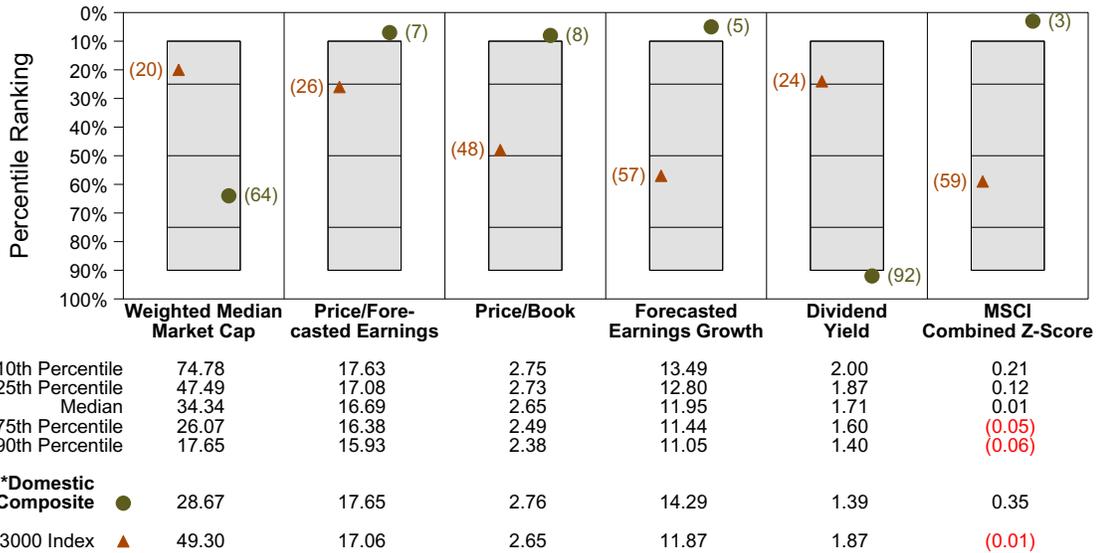


# Domestic Equity Composite Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

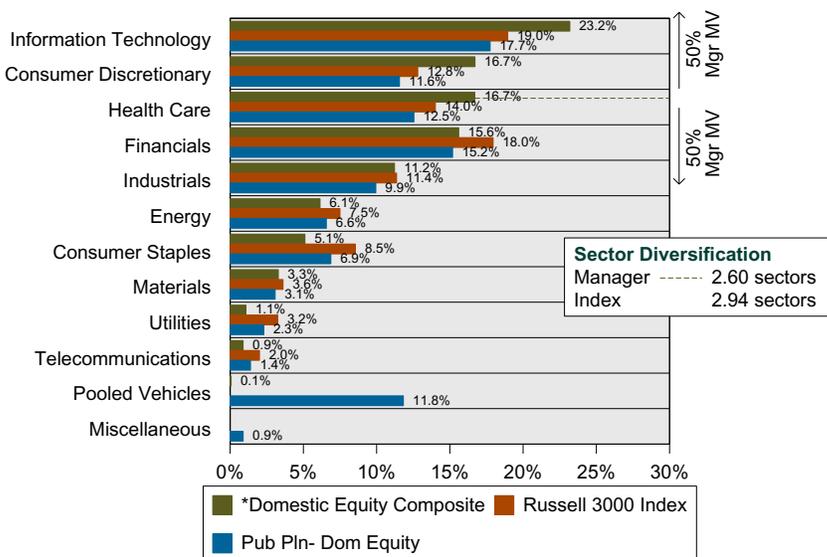
## Portfolio Characteristics Percentile Rankings Rankings Against Pub Pln- Domestic Equity as of December 31, 2014



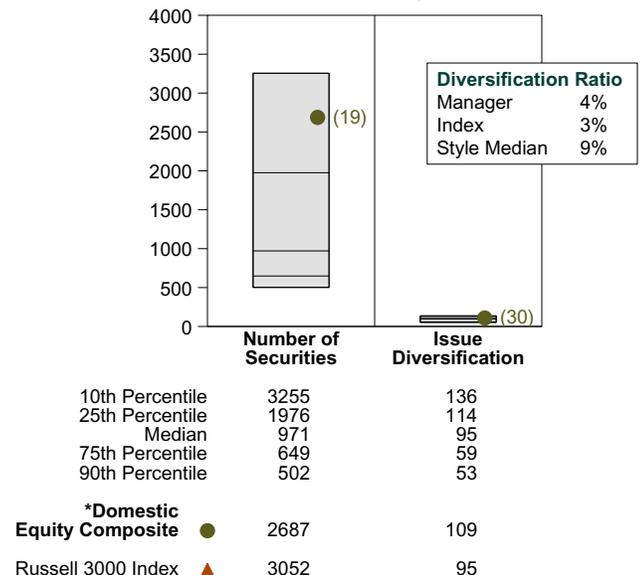
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014

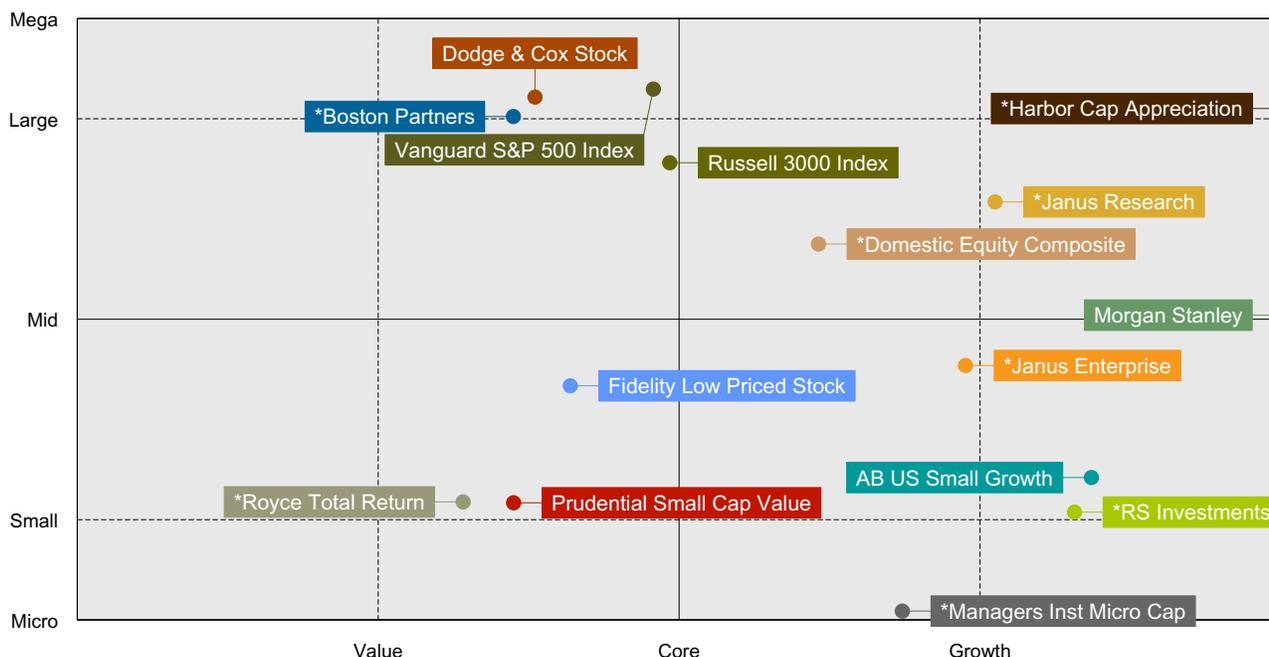


\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

## Holdings Based Style Analysis For One Quarter Ended December 31, 2014

This page analyzes and compares the investment styles of multiple portfolios using a detailed holdings-based style analysis methodology. The size component of style is measured by the weighted median market capitalization of the holdings. The value/core/growth style dimension is captured by the "Combined Z-Score" of the portfolio. This score is based on eight fundamental factors used in the MSCI stock style scoring system. The table below gives a more detailed breakdown of several relevant style metrics on the portfolios.

### Style Map Holdings for One Quarter Ended December 31, 2014



|                            | Weight % | Wtd Median Mkt Cap | Combined Z-Score | Growth Z-Score | Value Z-Score | Number of Securities | Security Diversification |
|----------------------------|----------|--------------------|------------------|----------------|---------------|----------------------|--------------------------|
| Vanguard S&P 500 Index     | 12.96%   | 75.11              | (0.05)           | (0.02)         | 0.03          | 504                  | 59.33                    |
| Dodge & Cox Stock          | 13.62%   | 71.18              | (0.34)           | (0.14)         | 0.19          | 67                   | 16.34                    |
| *Boston Partners           | 14.49%   | 61.58              | (0.39)           | (0.08)         | 0.31          | 86                   | 18.51                    |
| *Harbor Cap Appreciation   | 14.09%   | 65.52              | 1.66             | 0.77           | (0.90)        | 64                   | 21.10                    |
| *Janus Research            | 14.20%   | 39.37              | 0.78             | 0.35           | (0.43)        | 118                  | 31.92                    |
| Fidelity Low Priced Stock  | 2.93%    | 6.96               | (0.25)           | 0.00           | 0.25          | 903                  | 33.99                    |
| *Royce Total Return        | 2.78%    | 2.39               | (0.51)           | (0.19)         | 0.31          | 445                  | 67.87                    |
| Morgan Stanley             | 2.82%    | 10.62              | 1.87             | 0.75           | (1.11)        | 52                   | 12.71                    |
| *Janus Enterprise          | 2.97%    | 7.76               | 0.71             | 0.23           | (0.47)        | 76                   | 22.01                    |
| Prudential Small Cap Value | 7.43%    | 2.36               | (0.39)           | (0.05)         | 0.34          | 766                  | 117.38                   |
| AB US Small Growth         | 3.79%    | 3.35               | 1.01             | 0.39           | (0.62)        | 102                  | 33.03                    |
| *RS Investments            | 3.03%    | 1.99               | 0.97             | 0.33           | (0.65)        | 88                   | 29.57                    |
| *Managers Inst Micro Cap   | 4.88%    | 0.60               | 0.56             | 0.19           | (0.37)        | 347                  | 79.30                    |
| *Domestic Equity Composite | 100.00%  | 28.67              | 0.35             | 0.18           | (0.18)        | 2687                 | 108.52                   |
| Russell 3000 Index         | -        | 49.30              | (0.01)           | (0.00)         | 0.01          | 3052                 | 94.82                    |

\* 12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

# Vanguard S&P 500 Index Period Ended December 31, 2014

## Investment Philosophy

Vanguard Institutional Index Fund is passively administered using a "full replication" approach. Under this method, the fund holds all of the 500 underlying securities in proportion to their weighting in the index. The fund remains fully invested in equities at all times and does not make judgmental calls on the direction of the S&P 500 Index.

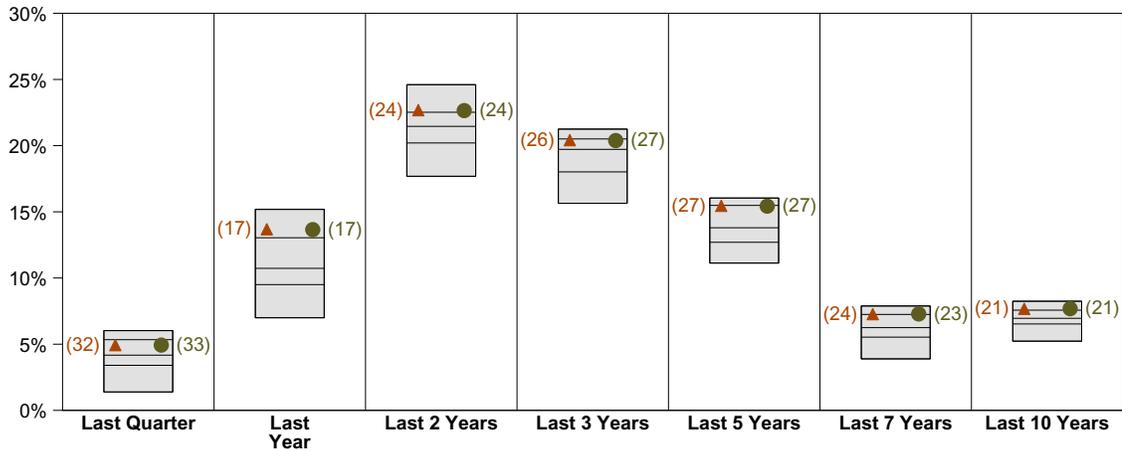
## Quarterly Summary and Highlights

- Vanguard S&P 500 Index's portfolio posted a 4.93% return for the quarter placing it in the 33 percentile of the CAI MF - Core Equity Style group for the quarter and in the 17 percentile for the last year.
- Vanguard S&P 500 Index's portfolio underperformed the S&P 500 Index by 0.00% for the quarter and underperformed the S&P 500 Index for the year by 0.04%.

## Quarterly Asset Growth

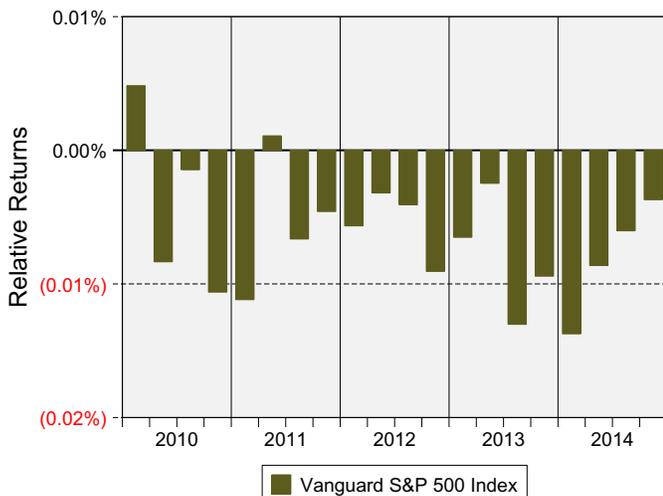
|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$24,184,201 |
| Net New Investment        | \$-3,000,000 |
| Investment Gains/(Losses) | \$1,012,687  |
| Ending Market Value       | \$22,196,888 |

## Performance vs CAI MF - Core Equity Style (Net)

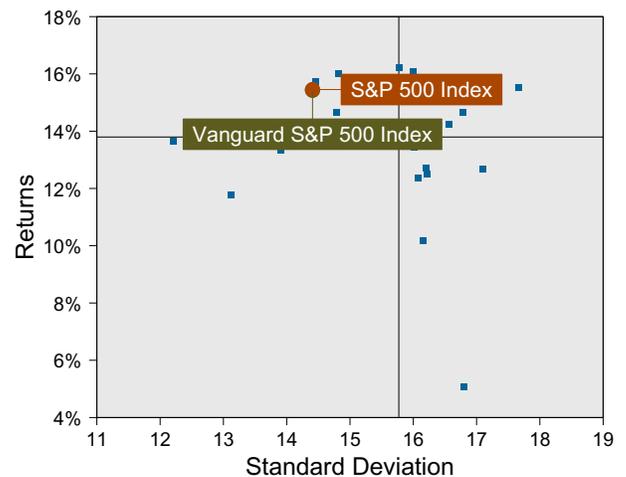


|                                     |      |       |       |       |       |      |      |
|-------------------------------------|------|-------|-------|-------|-------|------|------|
| 10th Percentile                     | 6.03 | 15.19 | 24.60 | 21.25 | 16.04 | 7.88 | 8.25 |
| 25th Percentile                     | 5.34 | 13.04 | 22.52 | 20.51 | 15.49 | 7.25 | 7.57 |
| Median                              | 4.17 | 10.73 | 21.46 | 19.72 | 13.80 | 6.25 | 6.95 |
| 75th Percentile                     | 3.40 | 9.50  | 20.20 | 18.02 | 12.70 | 5.53 | 6.53 |
| 90th Percentile                     | 1.39 | 7.00  | 17.69 | 15.64 | 11.13 | 3.89 | 5.23 |
| <b>Vanguard S&amp;P 500 Index</b> ● | 4.93 | 13.65 | 22.65 | 20.38 | 15.43 | 7.28 | 7.68 |
| S&P 500 Index ▲                     | 4.93 | 13.69 | 22.68 | 20.41 | 15.45 | 7.27 | 7.67 |

## Relative Return vs S&P 500 Index



## CAI MF - Core Equity Style (Net) Annualized Five Year Risk vs Return

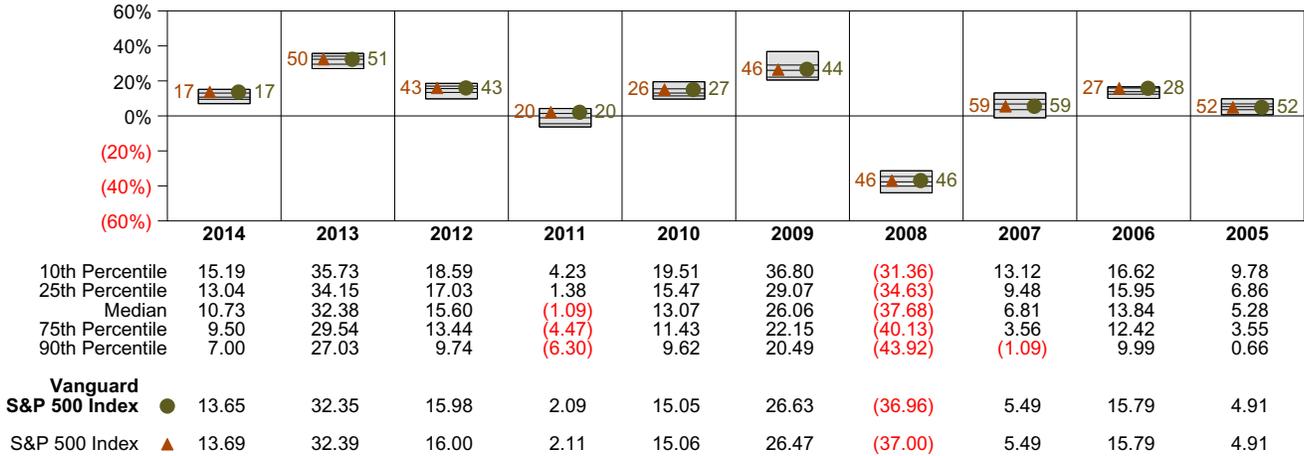


# Vanguard S&P 500 Index Return Analysis Summary

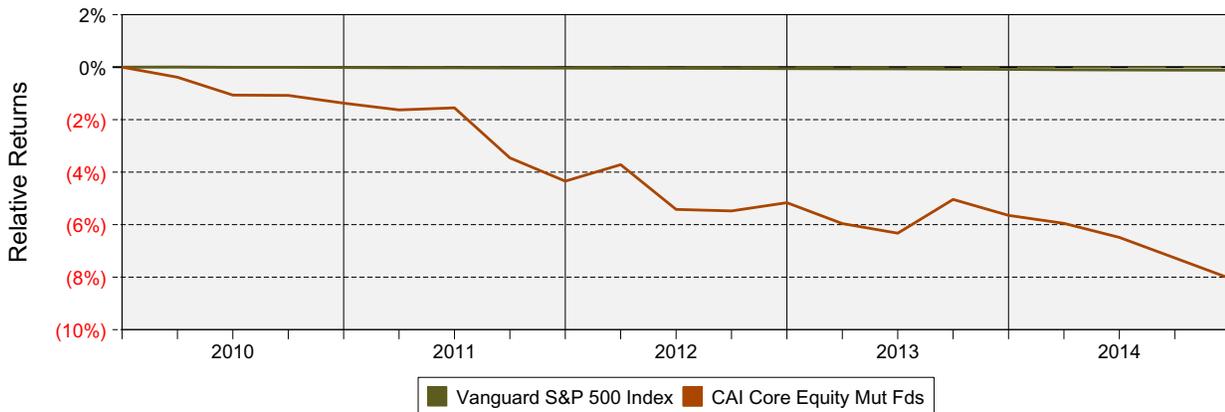
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

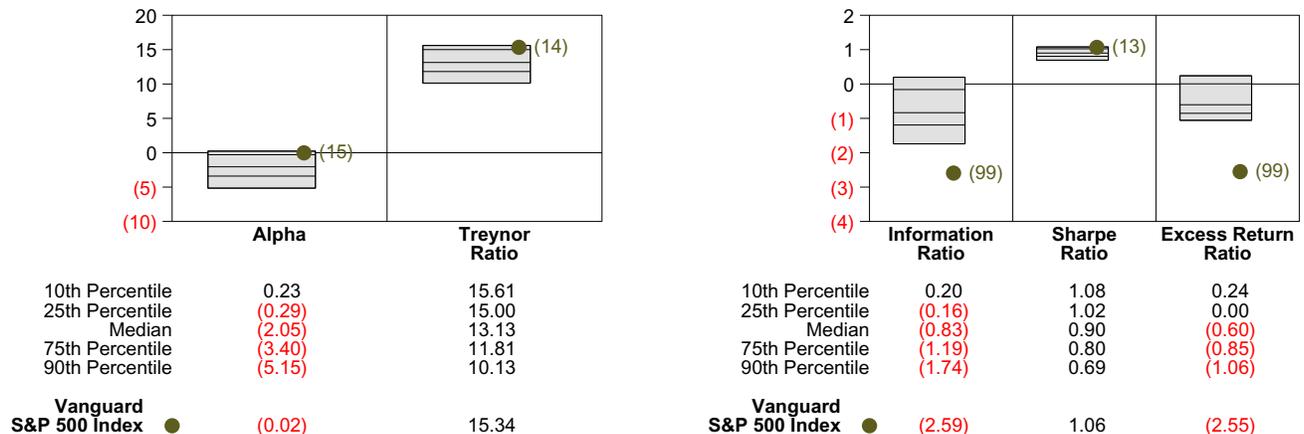
### Performance vs CAI MF - Core Equity Style (Net)



### Cumulative and Quarterly Relative Return vs S&P 500 Index



### Risk Adjusted Return Measures vs S&P 500 Index Rankings Against CAI MF - Core Equity Style (Net) Five Years Ended December 31, 2014

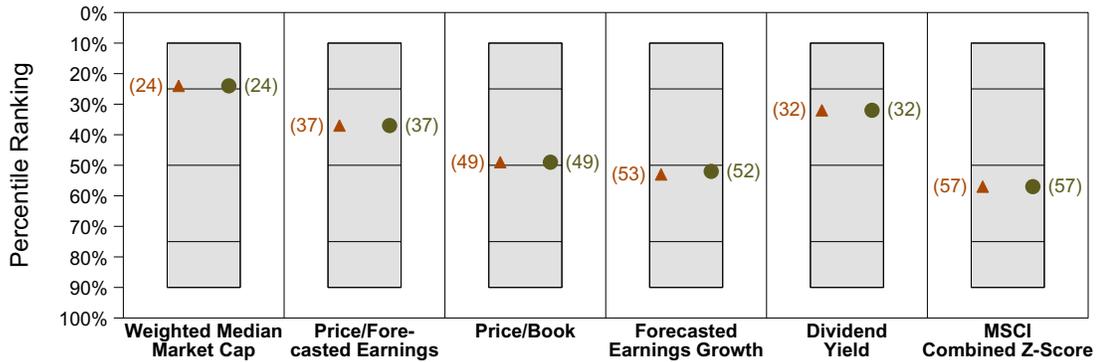


# Vanguard S&P 500 Index Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Core Equity Style as of December 31, 2014

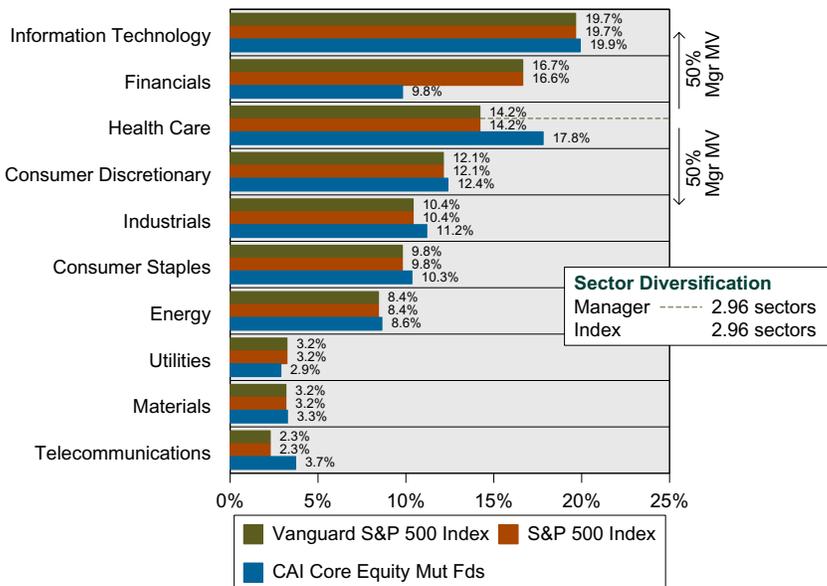


|                                     | Weighted Median Market Cap | Price/Forecasted Earnings | Price/Book | Forecasted Earnings Growth | Dividend Yield | MSCI Combined Z-Score |
|-------------------------------------|----------------------------|---------------------------|------------|----------------------------|----------------|-----------------------|
| 10th Percentile                     | 115.35                     | 18.70                     | 3.73       | 15.97                      | 2.34           | 0.87                  |
| 25th Percentile                     | 72.60                      | 16.83                     | 2.96       | 13.67                      | 2.10           | 0.50                  |
| Median                              | 63.36                      | 15.50                     | 2.70       | 11.15                      | 1.89           | 0.02                  |
| 75th Percentile                     | 56.10                      | 15.11                     | 2.28       | 10.08                      | 1.37           | (0.16)                |
| 90th Percentile                     | 42.28                      | 14.54                     | 2.12       | 8.35                       | 1.05           | (0.46)                |
| <b>Vanguard S&amp;P 500 Index</b> ● | 75.11                      | 16.39                     | 2.72       | 11.11                      | 2.00           | (0.05)                |
| S&P 500 Index ▲                     | 75.25                      | 16.39                     | 2.73       | 11.10                      | 2.00           | (0.05)                |

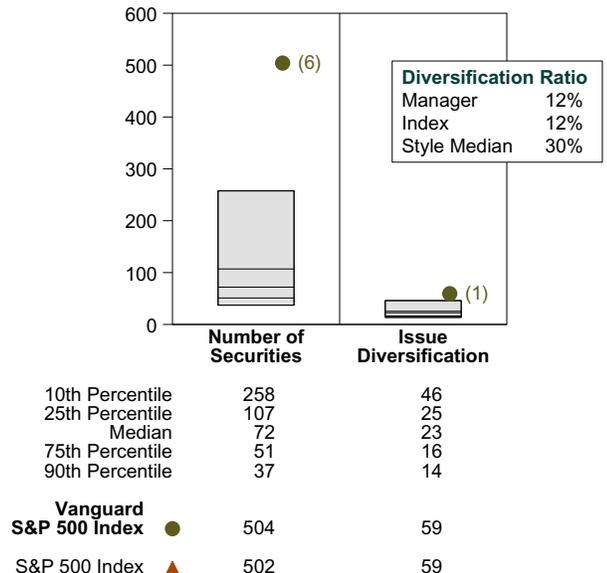
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



# Dodge & Cox Stock Period Ended December 31, 2014

## Investment Philosophy

Dodge & Cox seeks to build a portfolio of individual companies where the current market valuation does not adequately reflect the company's long-term profit opportunities. The firm maintains a long-term focus, conducts their own research, and employs a rigorous price price discipline.

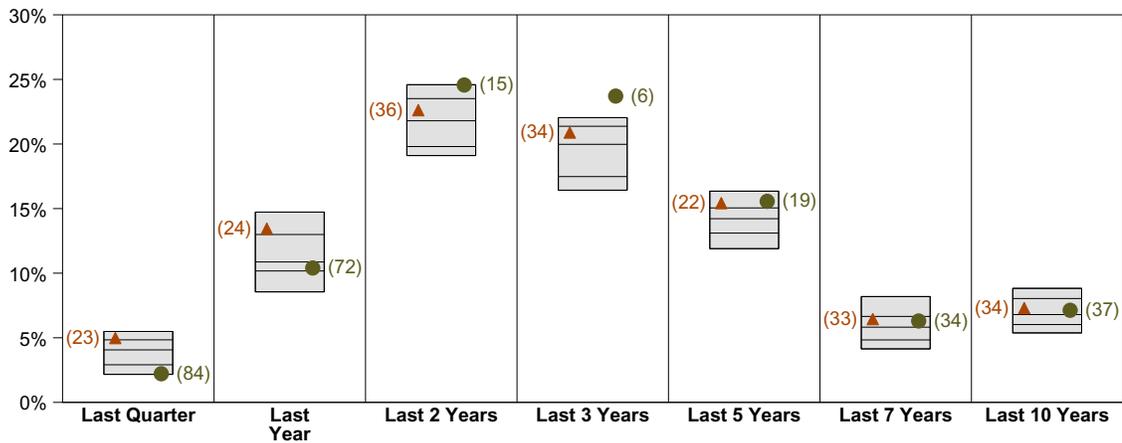
## Quarterly Summary and Highlights

- Dodge & Cox Stock's portfolio posted a 2.21% return for the quarter placing it in the 84 percentile of the CAI MF - Large Cap Value Style group for the quarter and in the 72 percentile for the last year.
- Dodge & Cox Stock's portfolio underperformed the Russell 1000 Value Index by 2.77% for the quarter and underperformed the Russell 1000 Value Index for the year by 3.05%.

## Quarterly Asset Growth

|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$23,894,767 |
| Net New Investment        | \$-1,048,294 |
| Investment Gains/(Losses) | \$473,273    |
| Ending Market Value       | \$23,319,747 |

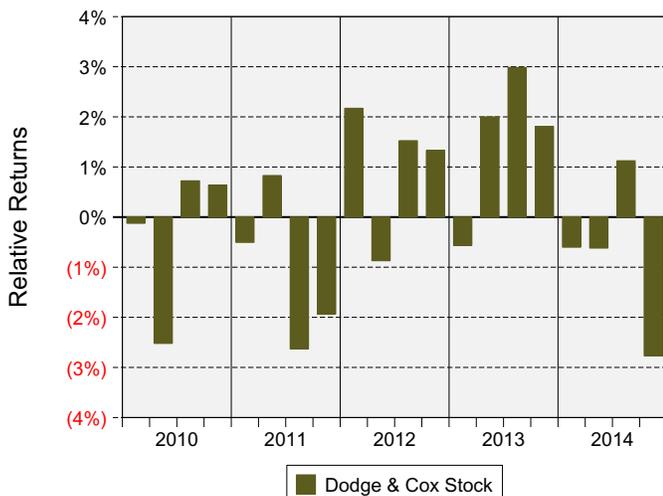
## Performance vs CAI MF - Large Cap Value Style (Net)



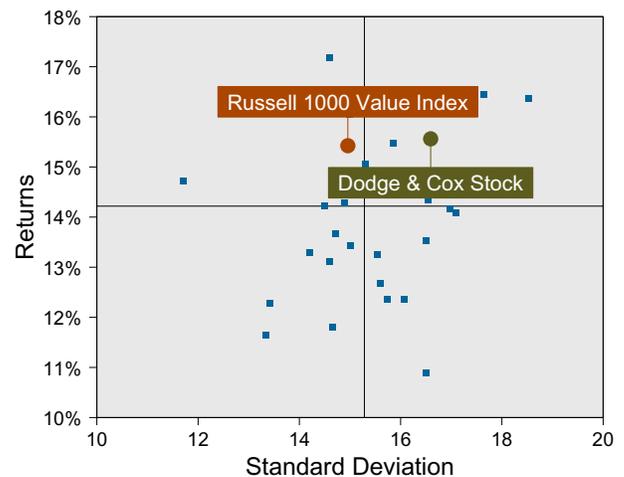
|                 |      |       |       |       |       |      |      |
|-----------------|------|-------|-------|-------|-------|------|------|
| 10th Percentile | 5.49 | 14.73 | 24.59 | 22.04 | 16.35 | 8.19 | 8.83 |
| 25th Percentile | 4.84 | 12.99 | 23.51 | 21.37 | 15.05 | 6.65 | 8.04 |
| Median          | 4.06 | 10.87 | 21.80 | 19.97 | 14.22 | 5.82 | 6.80 |
| 75th Percentile | 2.91 | 10.17 | 19.80 | 17.48 | 13.10 | 4.83 | 6.02 |
| 90th Percentile | 2.17 | 8.55  | 19.11 | 16.42 | 11.90 | 4.14 | 5.38 |

|                                |      |       |       |       |       |      |      |
|--------------------------------|------|-------|-------|-------|-------|------|------|
| <b>Dodge &amp; Cox Stock</b> ● | 2.21 | 10.40 | 24.57 | 23.71 | 15.56 | 6.30 | 7.13 |
| Russell 1000 Value Index ▲     | 4.98 | 13.45 | 22.62 | 20.89 | 15.42 | 6.45 | 7.30 |

## Relative Return vs Russell 1000 Value Index



## CAI MF - Large Cap Value Style (Net) Annualized Five Year Risk vs Return

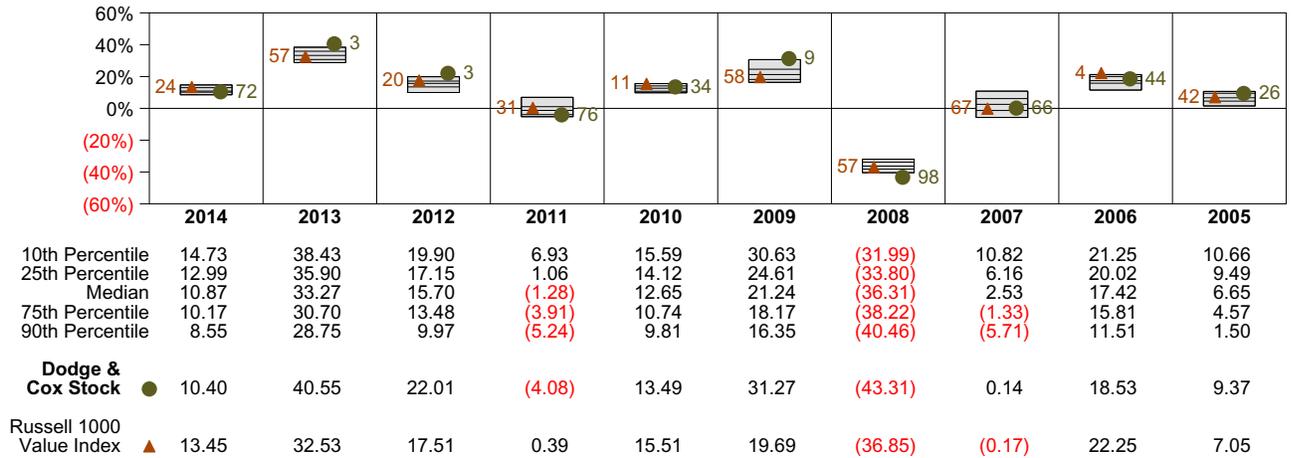


# Dodge & Cox Stock Return Analysis Summary

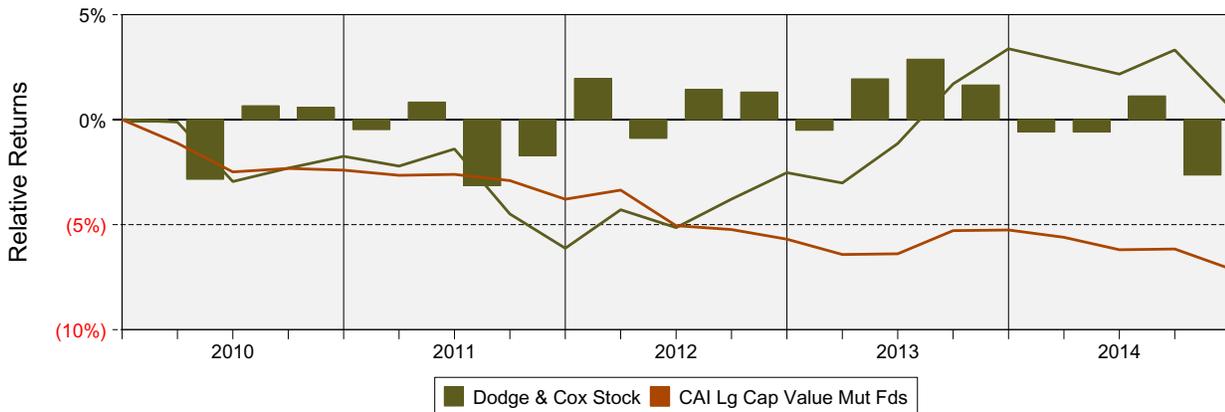
## Return Analysis

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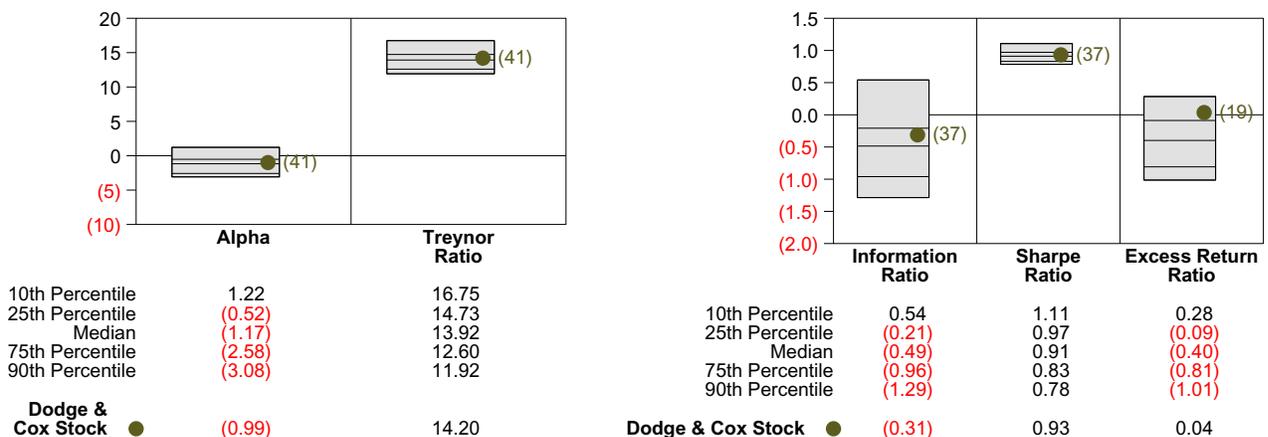
### Performance vs CAI MF - Large Cap Value Style (Net)



### Cumulative and Quarterly Relative Return vs Russell 1000 Value Index



### Risk Adjusted Return Measures vs Russell 1000 Value Index Rankings Against CAI MF - Large Cap Value Style (Net) Five Years Ended December 31, 2014

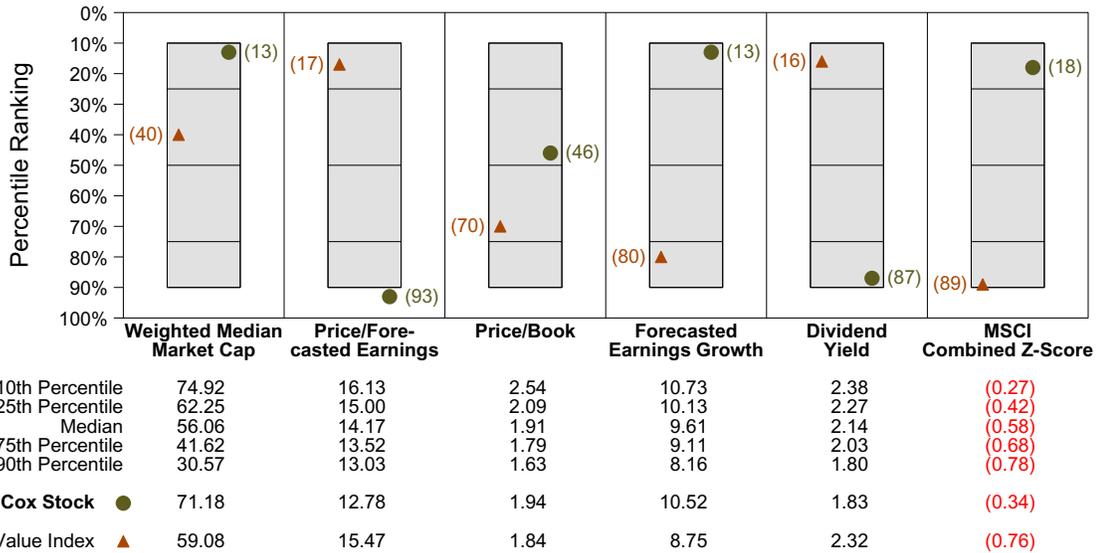


# Dodge & Cox Stock Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

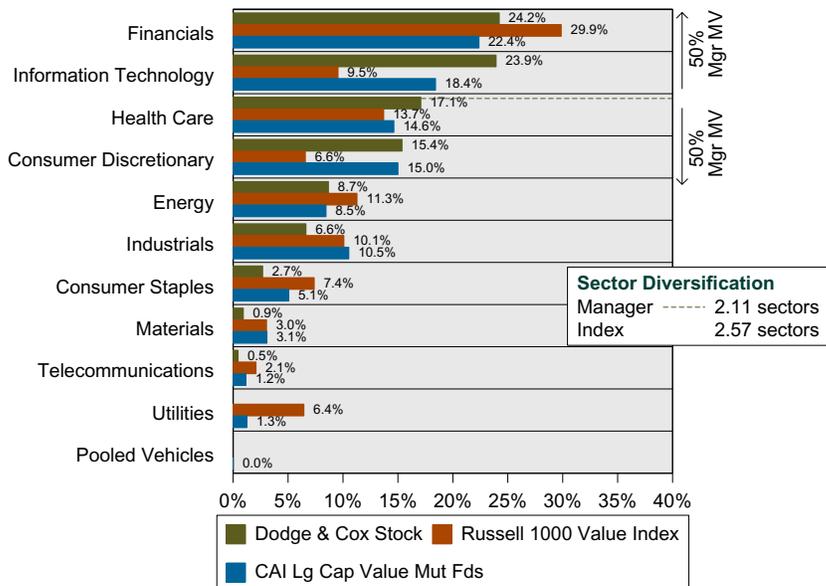
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Large Cap Value Style as of December 31, 2014



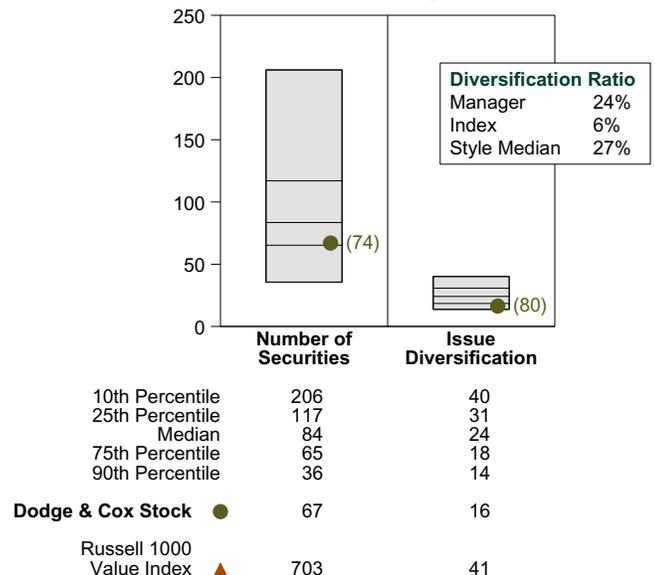
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



# Boston Partners

## Period Ended December 31, 2014

### Investment Philosophy

Boston Partners' investment philosophy is grounded in certain "fundamental truths" to investing, namely that low valuation stocks outperform high valuation stocks, companies with strong fundamentals, e.g. high and sustainable returns on invested capital, outperform companies with weak fundamentals, and stocks with positive business momentum, e.g. rising earnings estimates, outperform stocks with negative business momentum. The firm seeks to construct well-diversified portfolios that consistently possess these three characteristics, which hope to limit downside risk, preserve capital, and maximize the power of compounding. Boston Partner's management fee is 50 bps on all assets.

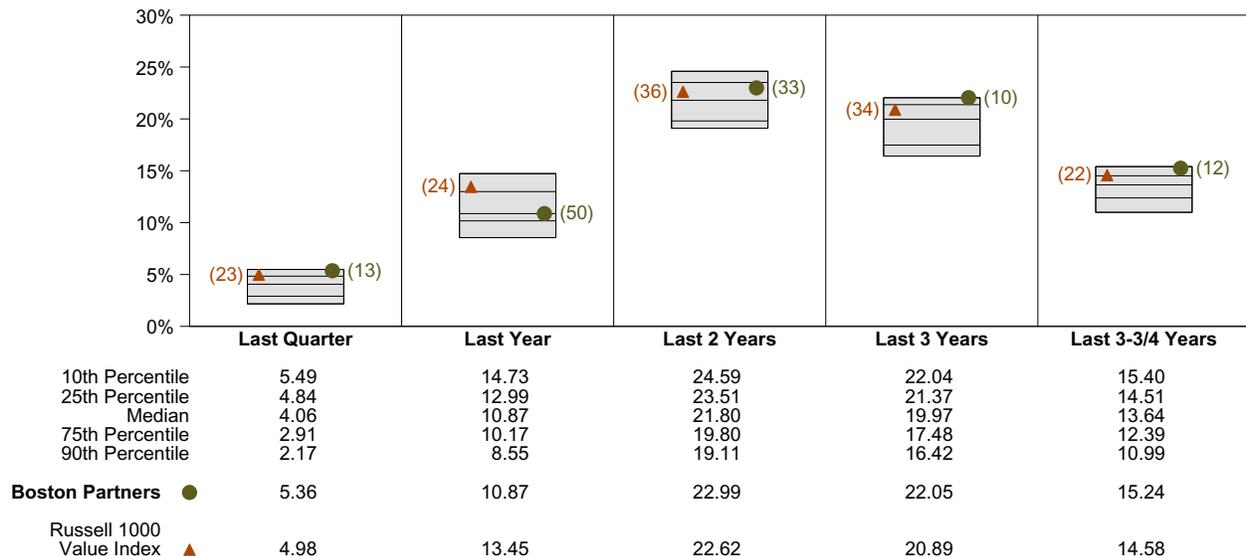
### Quarterly Summary and Highlights

- Boston Partners's portfolio posted a 5.36% return for the quarter placing it in the 13 percentile of the CAI MF - Large Cap Value Style group for the quarter and in the 50 percentile for the last year.
- Boston Partners's portfolio outperformed the Russell 1000 Value Index by 0.38% for the quarter and underperformed the Russell 1000 Value Index for the year by 2.58%.

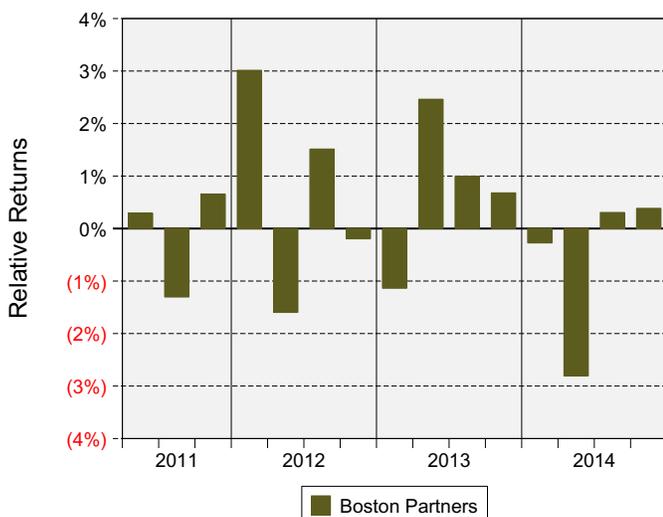
### Quarterly Asset Growth

|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$23,522,919 |
| Net New Investment        | \$30,677     |
| Investment Gains/(Losses) | \$1,262,221  |
| Ending Market Value       | \$24,815,817 |

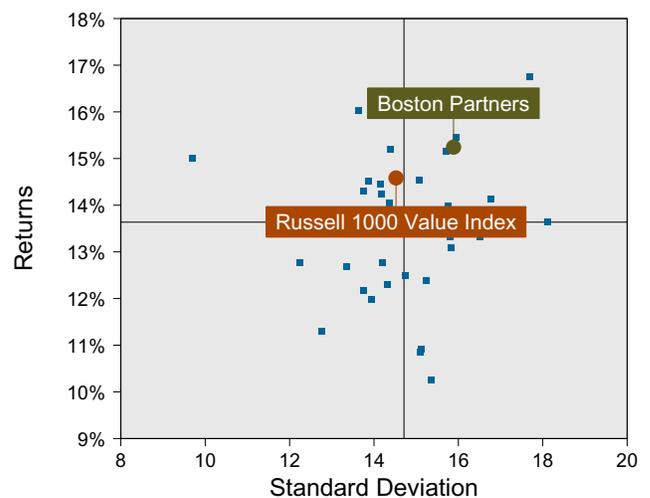
### Performance vs CAI MF - Large Cap Value Style (Net)



### Relative Return vs Russell 1000 Value Index



### CAI MF - Large Cap Value Style (Net) Annualized Three and Three-Quarter Year Risk vs Return

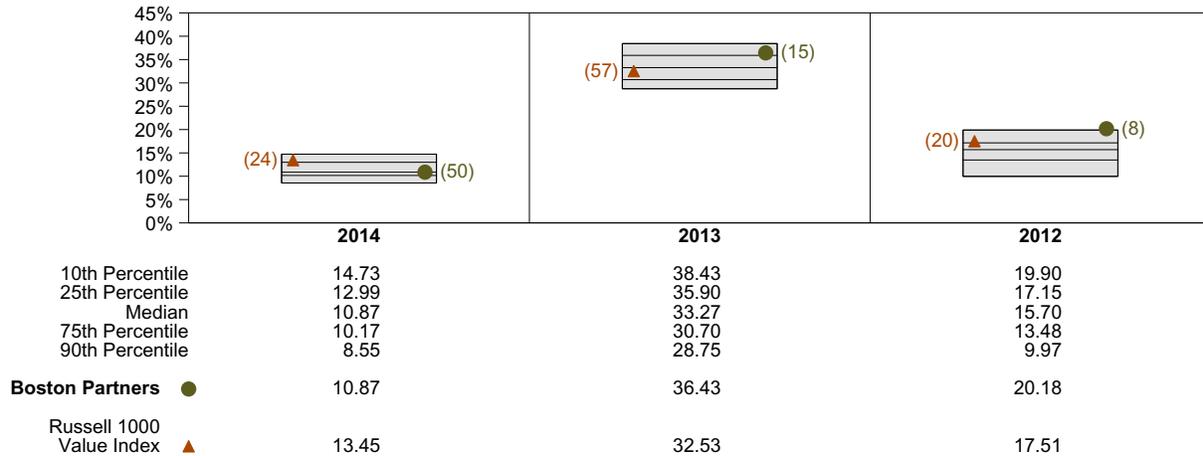


# Boston Partners Return Analysis Summary

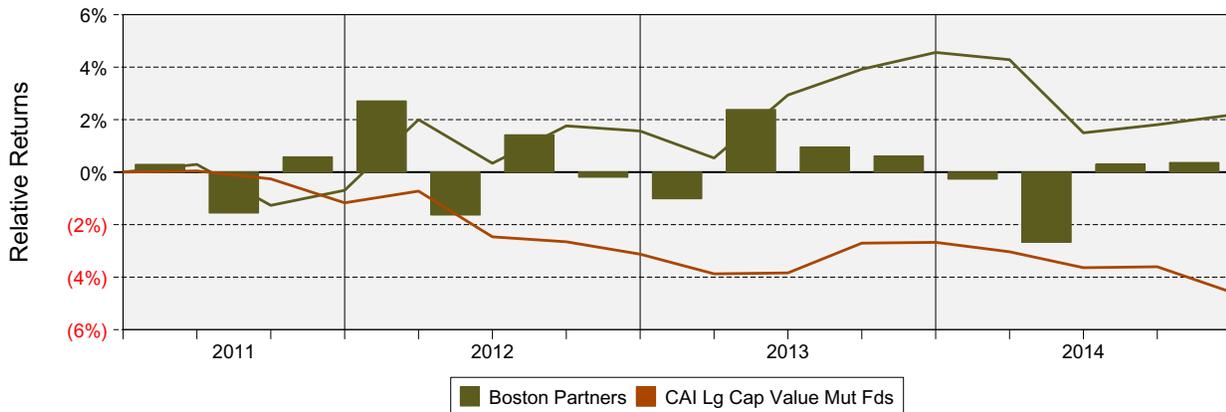
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

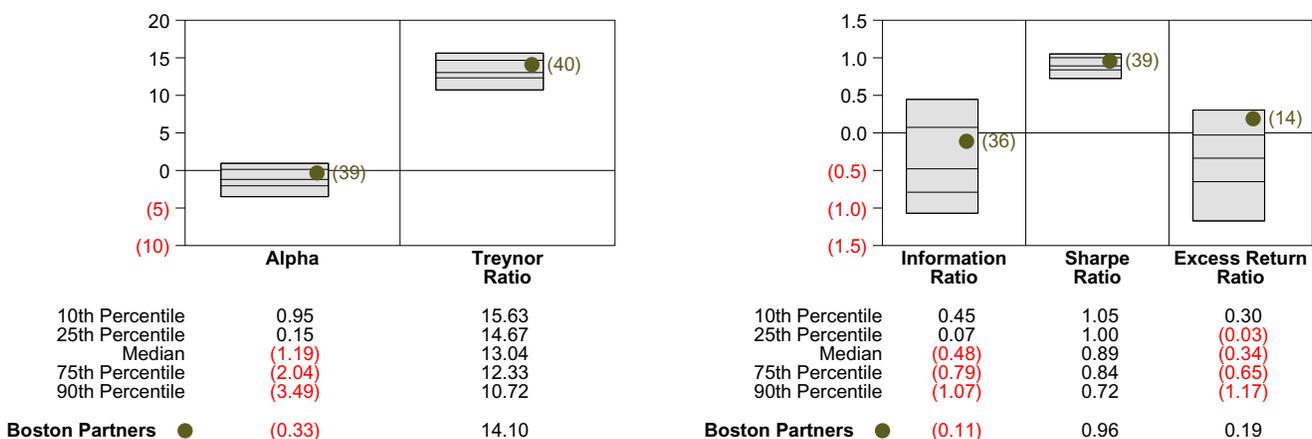
### Performance vs CAI MF - Large Cap Value Style (Net)



### Cumulative and Quarterly Relative Return vs Russell 1000 Value Index



### Risk Adjusted Return Measures vs Russell 1000 Value Index Rankings Against CAI MF - Large Cap Value Style (Net) Three and Three-Quarter Years Ended December 31, 2014

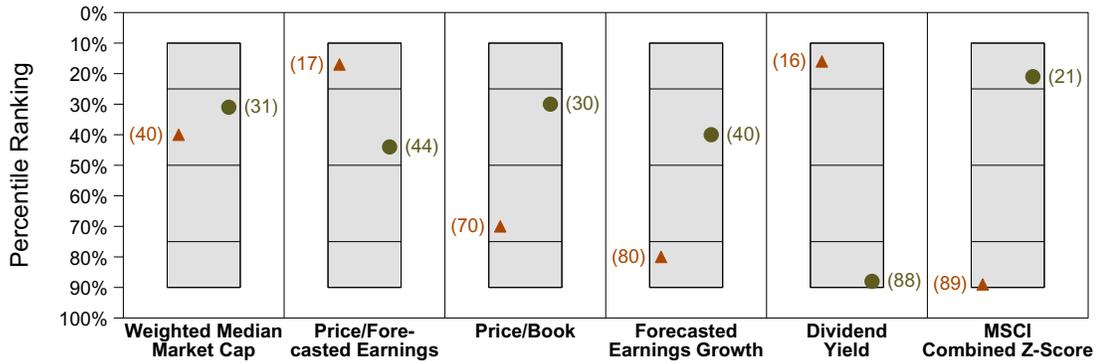


# Boston Partners Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

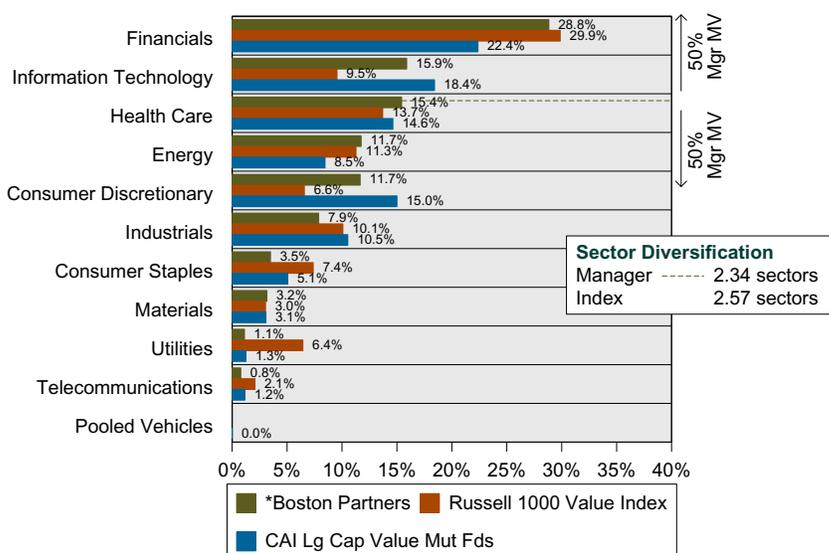
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Large Cap Value Style as of December 31, 2014



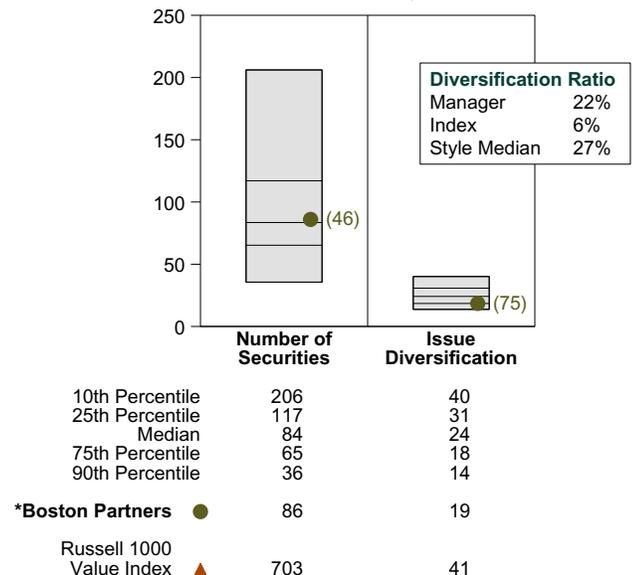
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

# Harbor Cap Appreciation Period Ended December 31, 2014

## Investment Philosophy

The Jennison Large Cap Growth team believes that a stock's value over time is driven by above-average growth in units, revenues, earnings, and cash flow. The strategy seeks to capture the inflection point in a company's growth rate before it is fully appreciated by the market or reflected in the stock price.

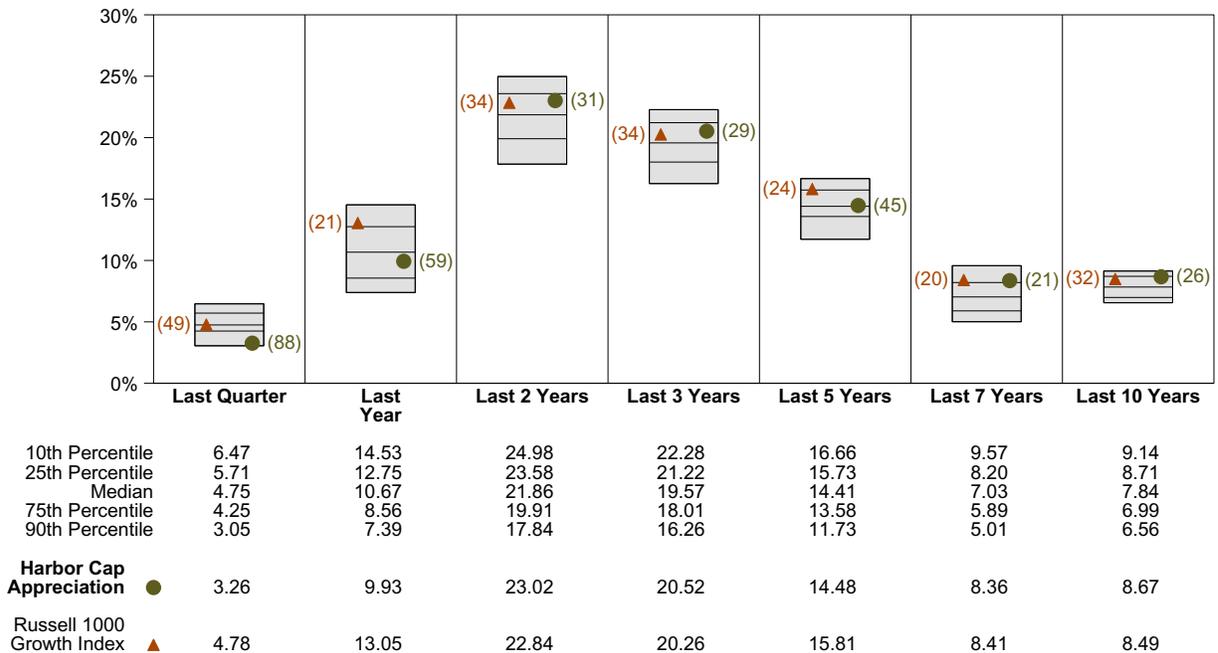
## Quarterly Summary and Highlights

- Harbor Cap Appreciation's portfolio posted a 3.26% return for the quarter placing it in the 88 percentile of the CAI MF - Large Cap Growth Style group for the quarter and in the 59 percentile for the last year.
- Harbor Cap Appreciation's portfolio underperformed the Russell 1000 Growth Index by 1.52% for the quarter and underperformed the Russell 1000 Growth Index for the year by 3.12%.

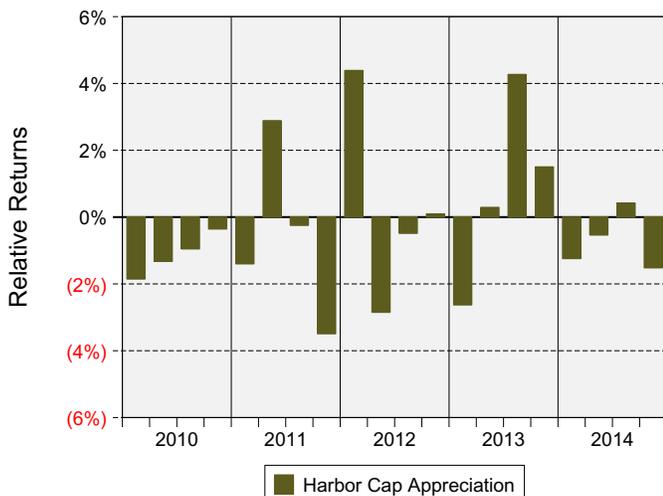
## Quarterly Asset Growth

|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$24,364,597 |
| Net New Investment        | \$-1,000,000 |
| Investment Gains/(Losses) | \$755,088    |
| Ending Market Value       | \$24,119,685 |

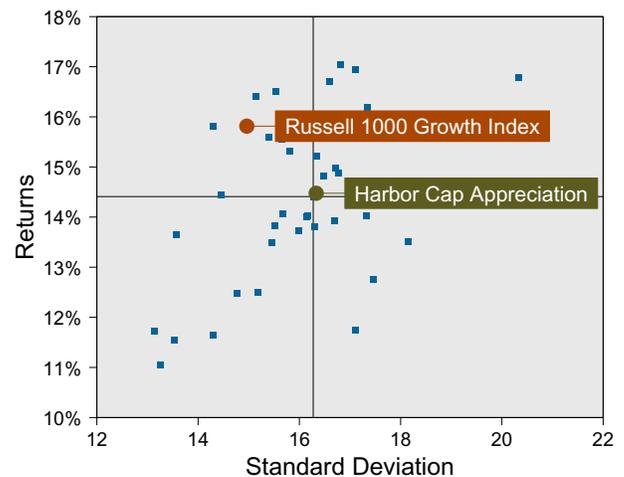
## Performance vs CAI MF - Large Cap Growth Style (Net)



## Relative Return vs Russell 1000 Growth Index



## CAI MF - Large Cap Growth Style (Net) Annualized Five Year Risk vs Return

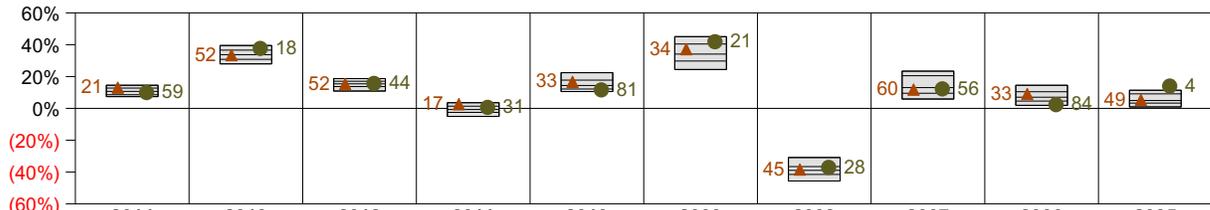


# Harbor Cap Appreciation Return Analysis Summary

## Return Analysis

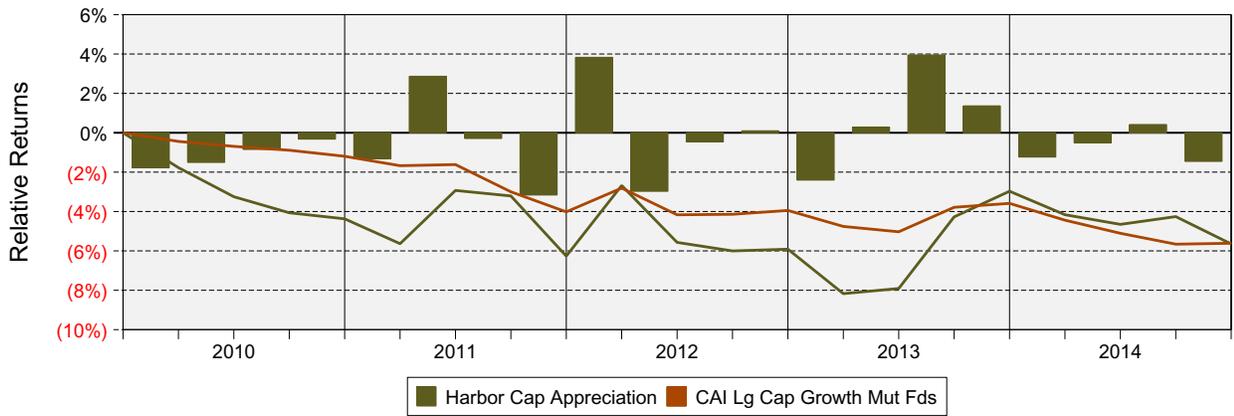
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

### Performance vs CAI MF - Large Cap Growth Style (Net)

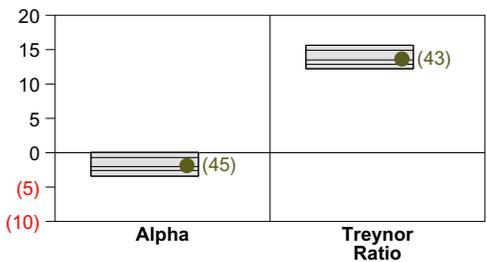


|                                | 2014    | 2013  | 2012  | 2011   | 2010  | 2009  | 2008    | 2007  | 2006  | 2005  |
|--------------------------------|---------|-------|-------|--------|-------|-------|---------|-------|-------|-------|
| 10th Percentile                | 14.53   | 39.52 | 18.72 | 3.56   | 22.42 | 45.08 | (30.90) | 23.39 | 14.52 | 11.38 |
| 25th Percentile                | 12.75   | 36.59 | 17.05 | 1.37   | 17.74 | 40.44 | (36.59) | 20.52 | 10.46 | 9.11  |
| Median                         | 10.67   | 33.75 | 15.42 | (0.73) | 14.38 | 34.12 | (38.97) | 13.06 | 7.02  | 4.93  |
| 75th Percentile                | 8.56    | 30.82 | 13.70 | (2.51) | 12.17 | 29.75 | (41.54) | 9.49  | 4.59  | 3.30  |
| 90th Percentile                | 7.39    | 27.96 | 10.88 | (5.06) | 10.57 | 24.41 | (45.65) | 5.86  | 1.91  | 0.91  |
| <b>Harbor Cap Appreciation</b> | ● 9.93  | 37.66 | 15.69 | 0.61   | 11.61 | 41.88 | (37.13) | 12.25 | 2.33  | 14.02 |
| Russell 1000 Growth Index      | ▲ 13.05 | 33.48 | 15.26 | 2.64   | 16.71 | 37.21 | (38.44) | 11.81 | 9.07  | 5.26  |

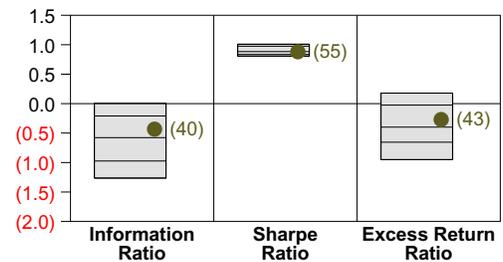
### Cumulative and Quarterly Relative Return vs Russell 1000 Growth Index



### Risk Adjusted Return Measures vs Russell 1000 Growth Index Rankings Against CAI MF - Large Cap Growth Style (Net) Five Years Ended December 31, 2014



|                                | Alpha    | Treynor Ratio |
|--------------------------------|----------|---------------|
| 10th Percentile                | 0.05     | 15.64         |
| 25th Percentile                | (0.70)   | 14.92         |
| Median                         | (2.02)   | 13.50         |
| 75th Percentile                | (2.59)   | 12.86         |
| 90th Percentile                | (3.42)   | 12.22         |
| <b>Harbor Cap Appreciation</b> | ● (1.87) | 13.64         |



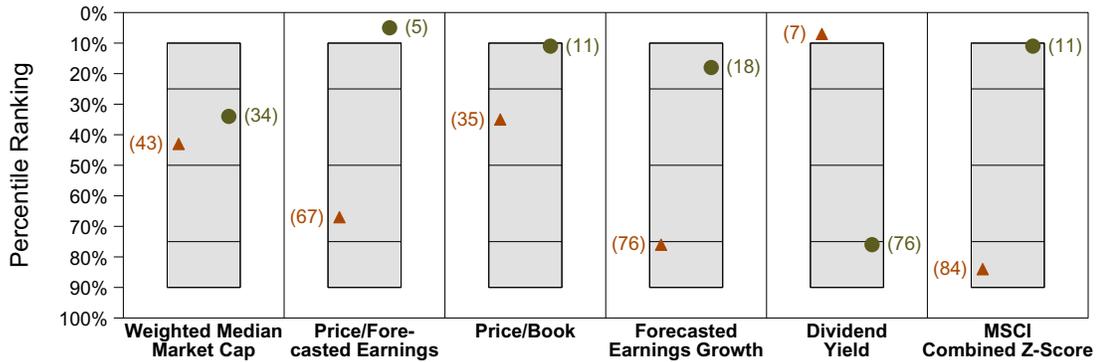
|                                | Information Ratio | Sharpe Ratio | Excess Return Ratio |
|--------------------------------|-------------------|--------------|---------------------|
| 10th Percentile                | 0.00              | 1.01         | 0.18                |
| 25th Percentile                | (0.21)            | 0.98         | (0.02)              |
| Median                         | (0.58)            | 0.88         | (0.40)              |
| 75th Percentile                | (0.97)            | 0.83         | (0.65)              |
| 90th Percentile                | (1.26)            | 0.81         | (0.95)              |
| <b>Harbor Cap Appreciation</b> | ● (0.43)          | 0.88         | (0.27)              |

# Harbor Cap Appreciation Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

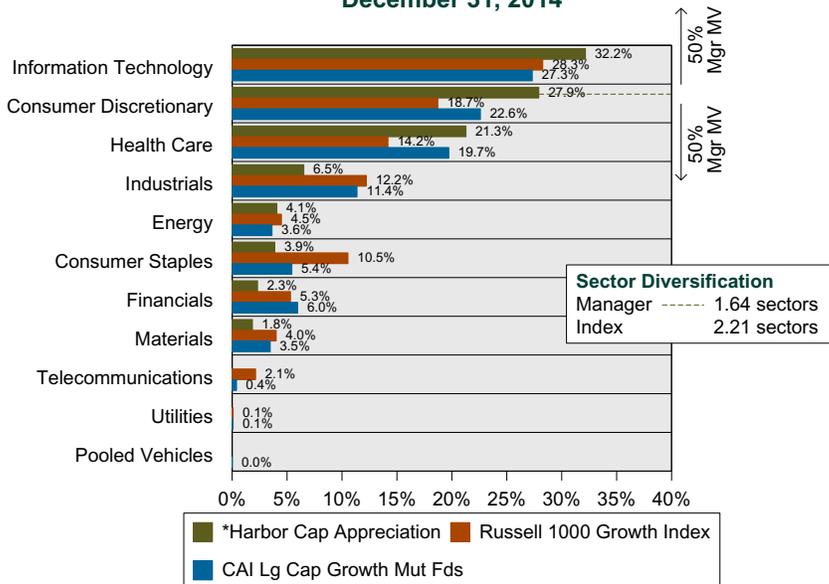
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Large Cap Growth Style as of December 31, 2014



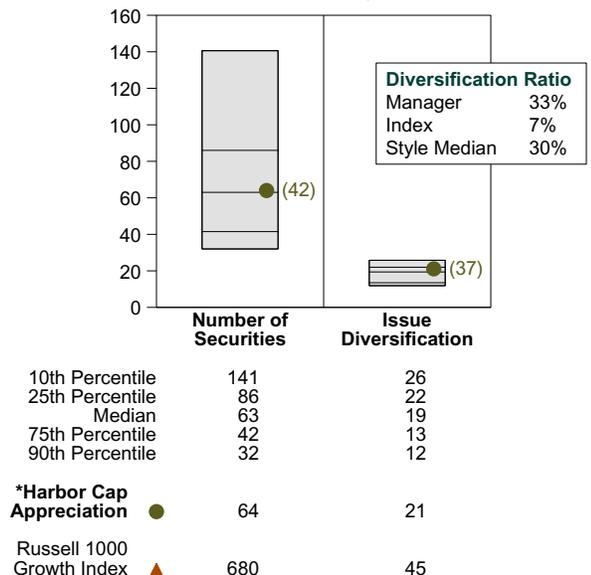
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

# Janus Research Period Ended December 31, 2014

## Investment Philosophy

Growth Equity Style mutual funds invest mainly in large companies that are expected to have above average prospects for long-term growth in earnings and profitability. Future growth prospects take precedence over valuation levels in stock selection. Switched from Class T Shares to Class I Shares in December 2009.

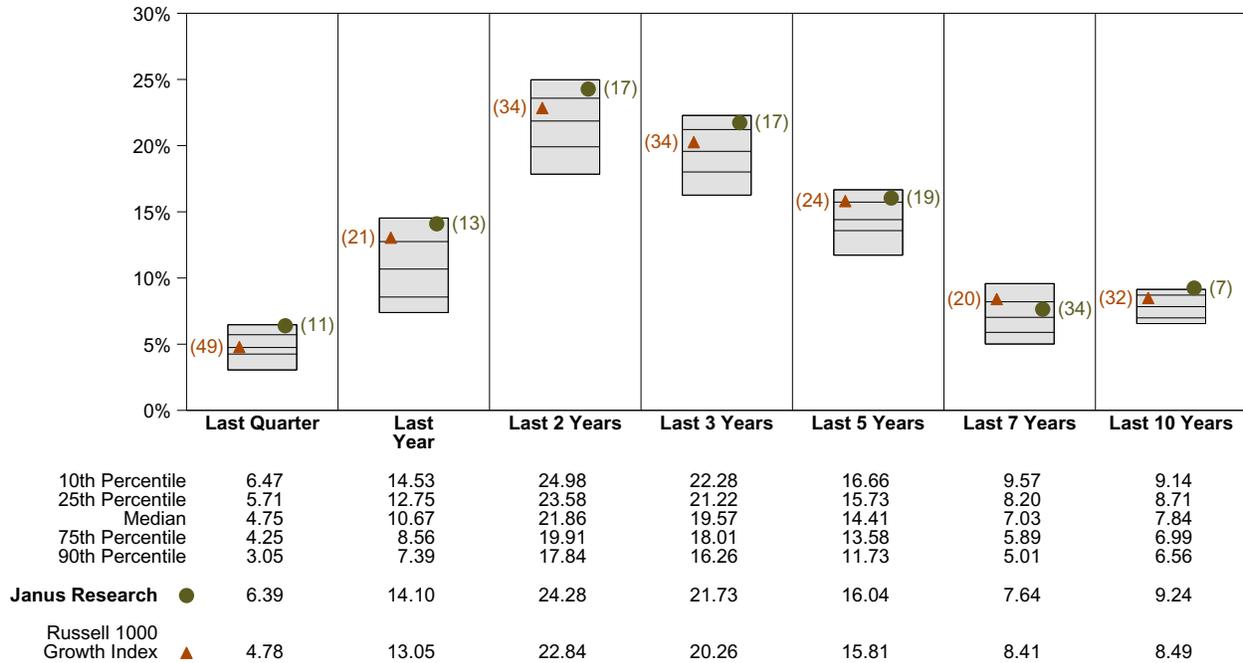
## Quarterly Summary and Highlights

- Janus Research's portfolio posted a 6.39% return for the quarter placing it in the 11 percentile of the CAI MF - Large Cap Growth Style group for the quarter and in the 13 percentile for the last year.
- Janus Research's portfolio outperformed the Russell 1000 Growth Index by 1.61% for the quarter and outperformed the Russell 1000 Growth Index for the year by 1.05%.

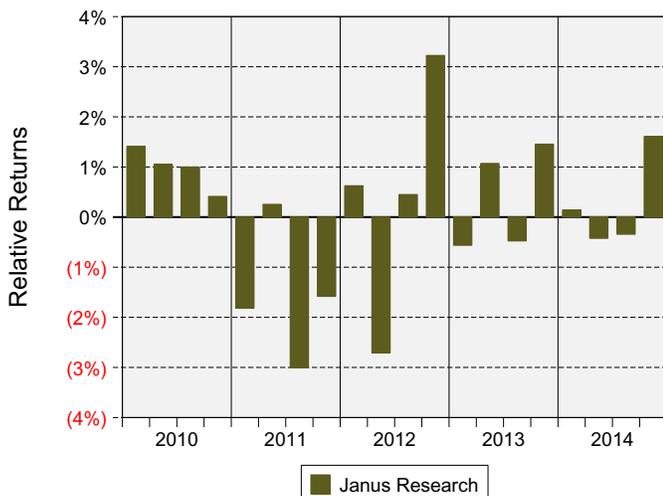
## Quarterly Asset Growth

|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$24,876,402 |
| Net New Investment        | \$-2,000,000 |
| Investment Gains/(Losses) | \$1,447,040  |
| Ending Market Value       | \$24,323,442 |

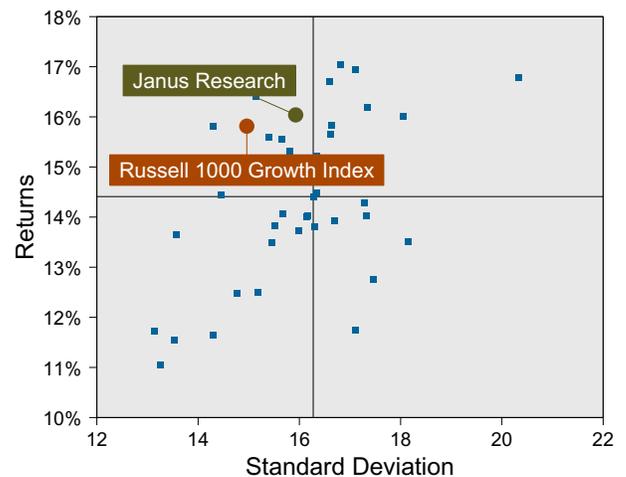
## Performance vs CAI MF - Large Cap Growth Style (Net)



## Relative Return vs Russell 1000 Growth Index



## CAI MF - Large Cap Growth Style (Net) Annualized Five Year Risk vs Return

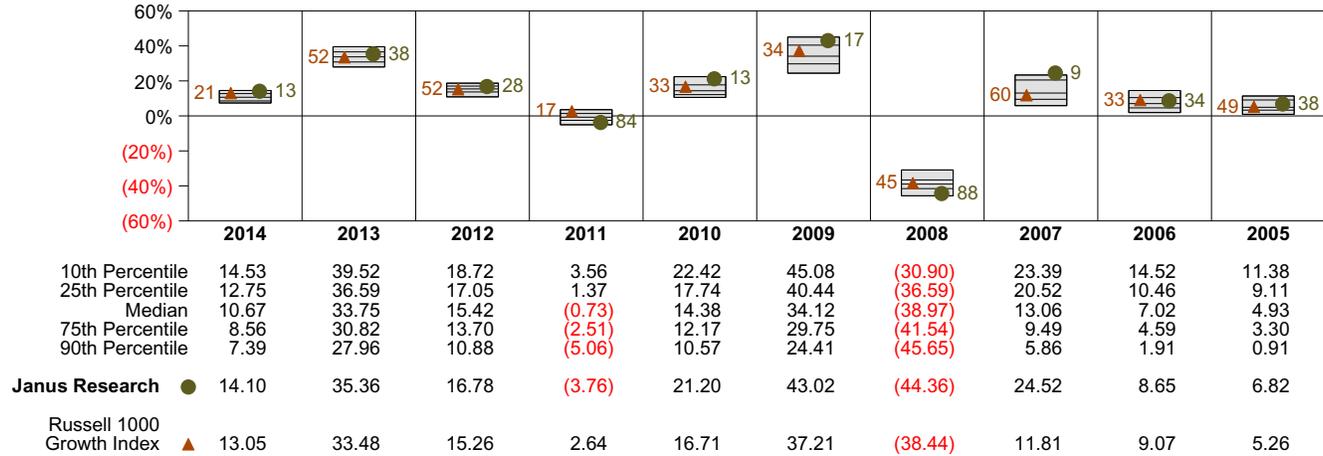


# Janus Research Return Analysis Summary

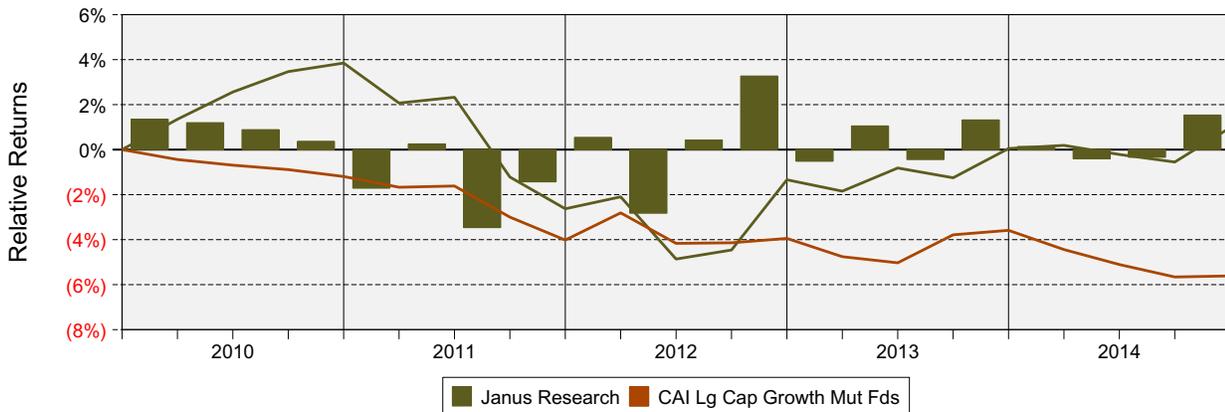
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

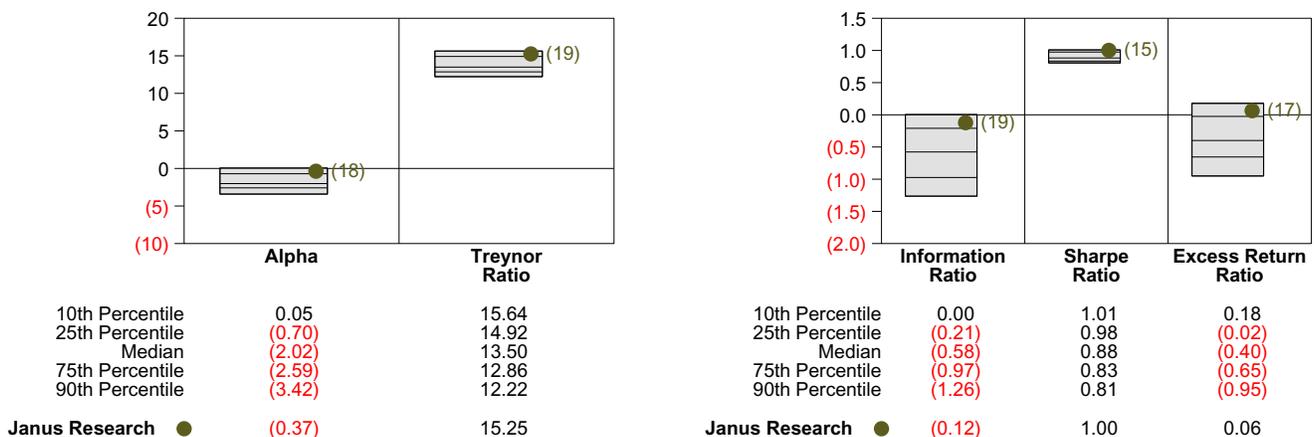
### Performance vs CAI MF - Large Cap Growth Style (Net)



### Cumulative and Quarterly Relative Return vs Russell 1000 Growth Index



### Risk Adjusted Return Measures vs Russell 1000 Growth Index Rankings Against CAI MF - Large Cap Growth Style (Net) Five Years Ended December 31, 2014

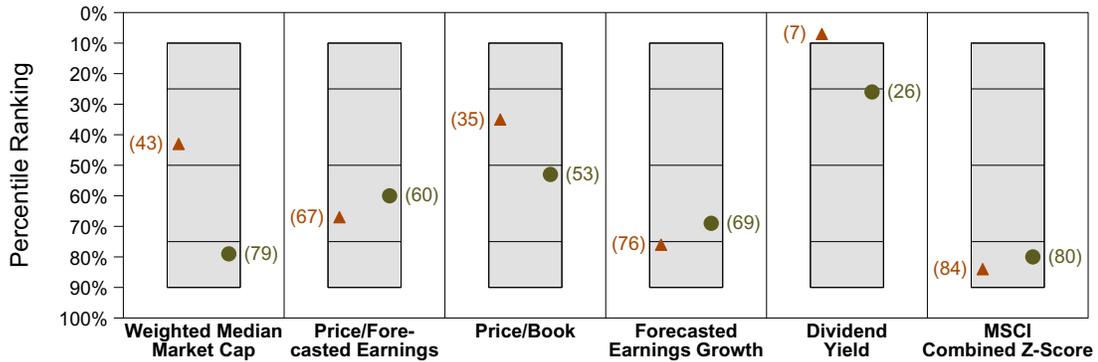


# Janus Research Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Large Cap Growth Style as of December 31, 2014

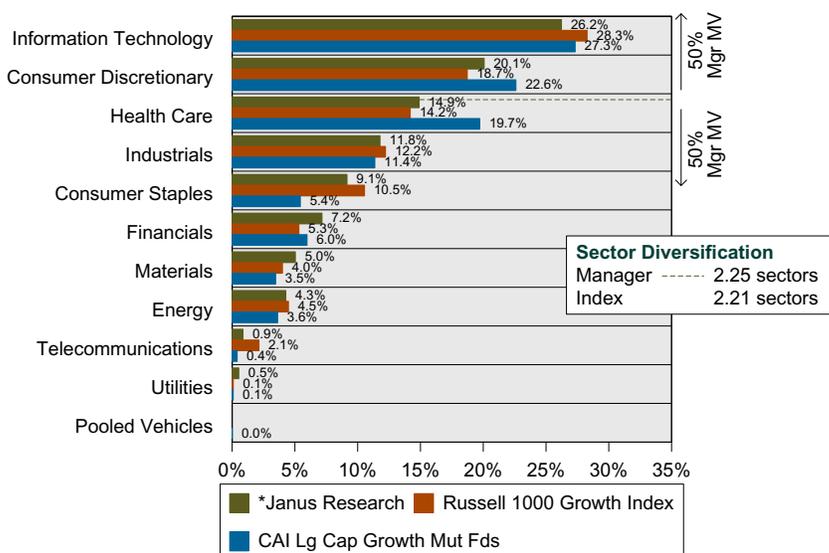


|                           | Weighted Median Market Cap | Price/Forecasted Earnings | Price/Book | Forecasted Earnings Growth | Dividend Yield | MSCI Combined Z-Score |
|---------------------------|----------------------------|---------------------------|------------|----------------------------|----------------|-----------------------|
| 10th Percentile           | 85.69                      | 22.66                     | 5.97       | 21.00                      | 1.43           | 1.67                  |
| 25th Percentile           | 70.65                      | 20.66                     | 5.18       | 19.68                      | 1.23           | 1.41                  |
| Median                    | 60.22                      | 19.71                     | 4.60       | 17.01                      | 0.94           | 1.18                  |
| 75th Percentile           | 40.71                      | 17.66                     | 4.21       | 14.55                      | 0.77           | 0.82                  |
| 90th Percentile           | 35.73                      | 16.66                     | 3.87       | 13.33                      | 0.62           | 0.65                  |
| <b>*Janus Research</b>    | 39.37                      | 18.70                     | 4.56       | 15.16                      | 1.23           | 0.78                  |
| Russell 1000 Growth Index | 62.09                      | 18.11                     | 5.08       | 14.43                      | 1.52           | 0.72                  |

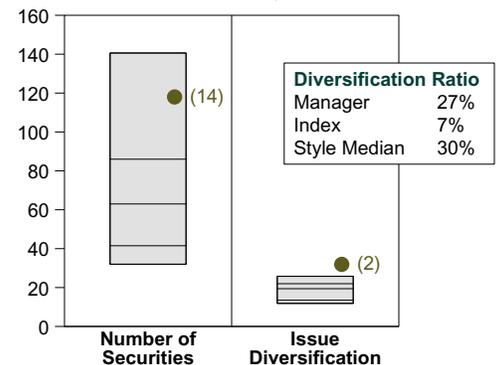
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



|                           | Number of Securities | Issue Diversification |
|---------------------------|----------------------|-----------------------|
| 10th Percentile           | 141                  | 26                    |
| 25th Percentile           | 86                   | 22                    |
| Median                    | 63                   | 19                    |
| 75th Percentile           | 42                   | 13                    |
| 90th Percentile           | 32                   | 12                    |
| <b>*Janus Research</b>    | 118                  | 32                    |
| Russell 1000 Growth Index | 680                  | 45                    |

\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

# Fidelity Low Priced Stock Period Ended December 31, 2014

## Investment Philosophy

The Low Priced Stock team believes that many low priced, non-glamour, small companies are mispriced, providing opportunities, and seeks capital appreciation by investing mostly in common and preferred domestic stocks, but also international equities, convertible securities, and other fixed income securities.

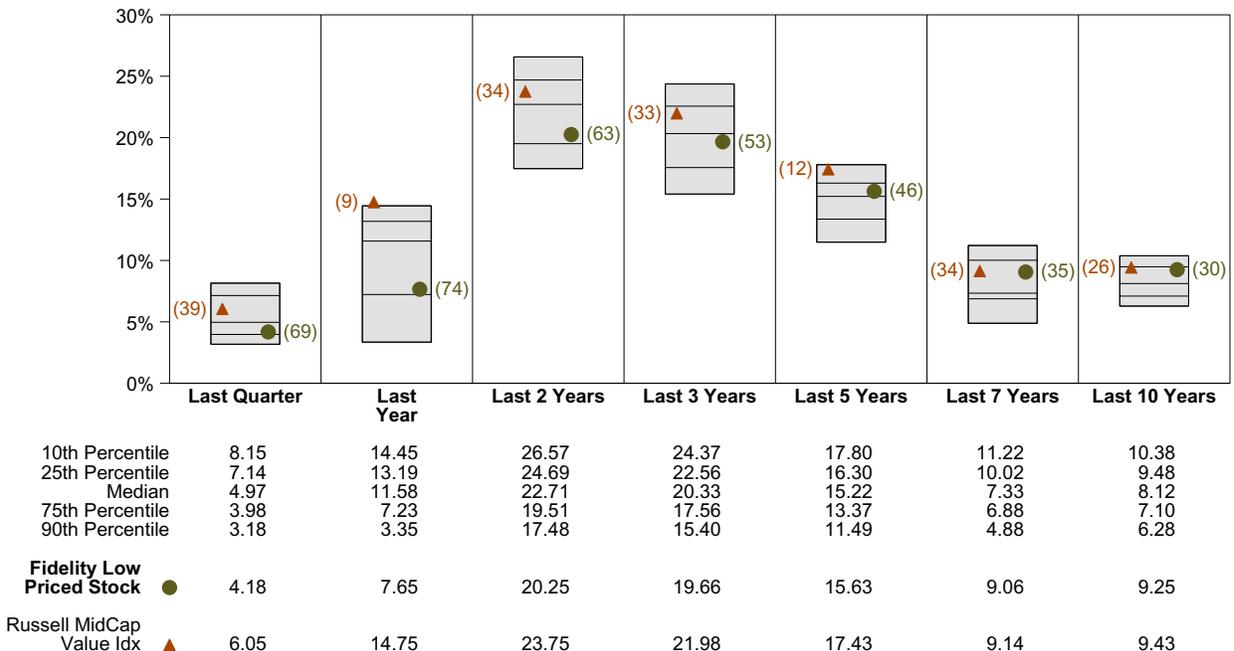
## Quarterly Summary and Highlights

- Fidelity Low Priced Stock's portfolio posted a 4.18% return for the quarter placing it in the 69 percentile of the CAI MF - Mid Cap Value Style group for the quarter and in the 74 percentile for the last year.
- Fidelity Low Priced Stock's portfolio underperformed the Russell MidCap Value Idx by 1.87% for the quarter and underperformed the Russell MidCap Value Idx for the year by 7.10%.

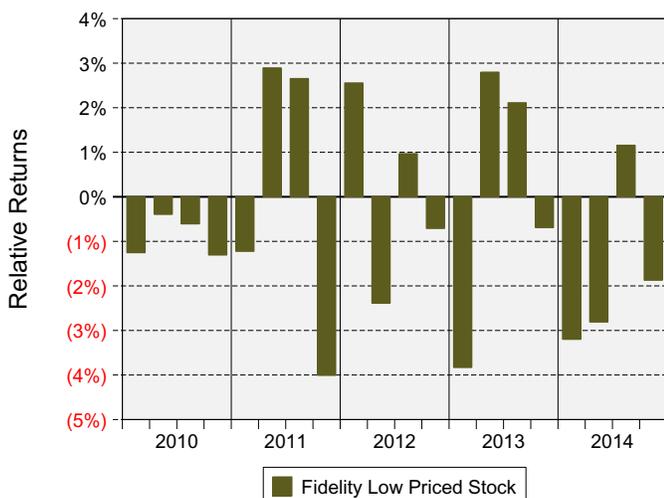
## Quarterly Asset Growth

|                           |             |
|---------------------------|-------------|
| Beginning Market Value    | \$4,821,413 |
| Net New Investment        | \$0         |
| Investment Gains/(Losses) | \$201,635   |
| Ending Market Value       | \$5,023,048 |

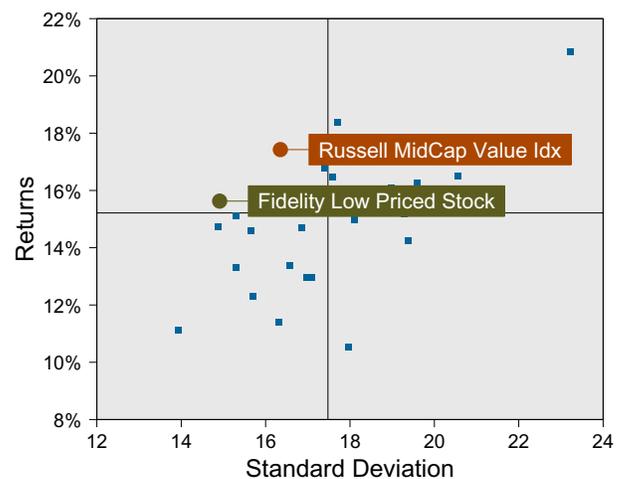
## Performance vs CAI MF - Mid Cap Value Style (Net)



## Relative Return vs Russell MidCap Value Idx



## CAI MF - Mid Cap Value Style (Net) Annualized Five Year Risk vs Return

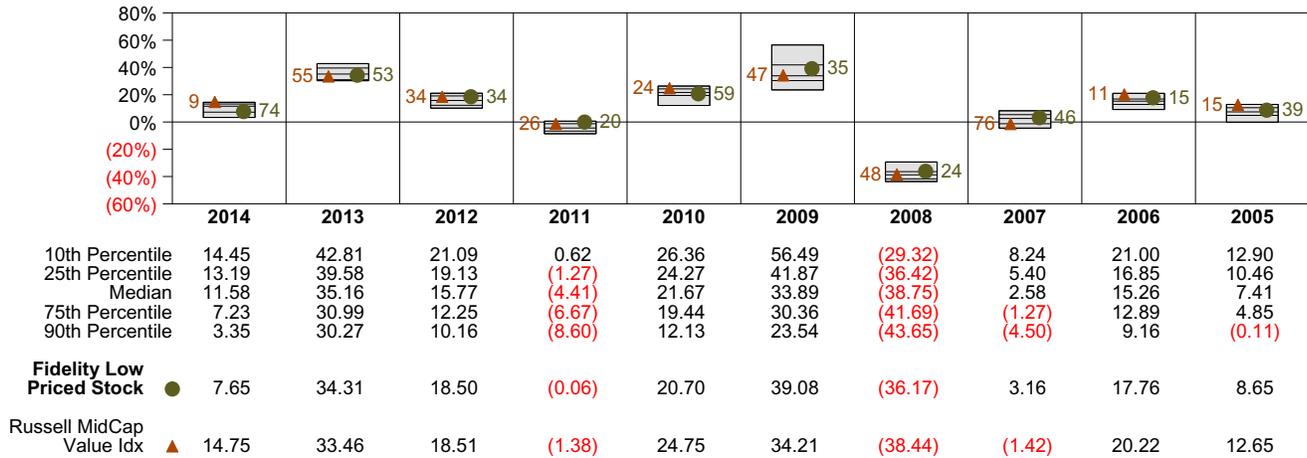


# Fidelity Low Priced Stock Return Analysis Summary

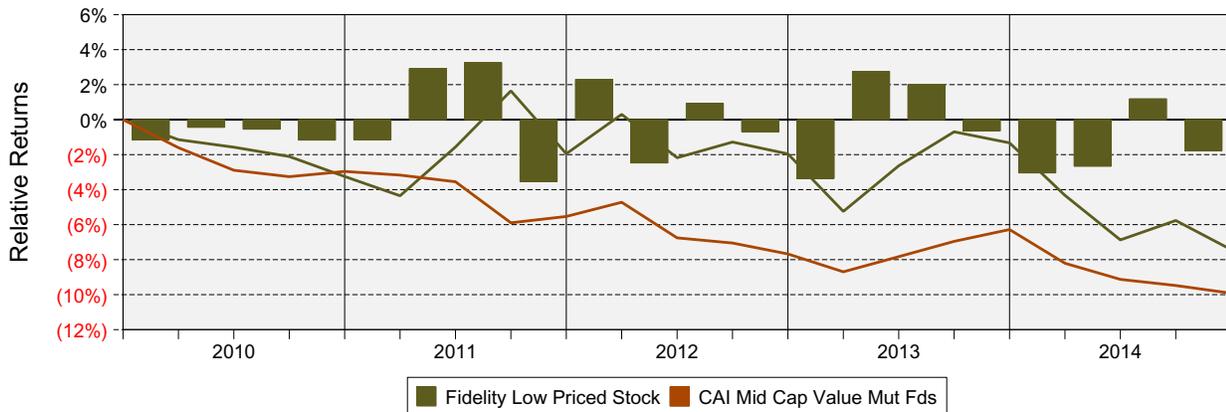
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

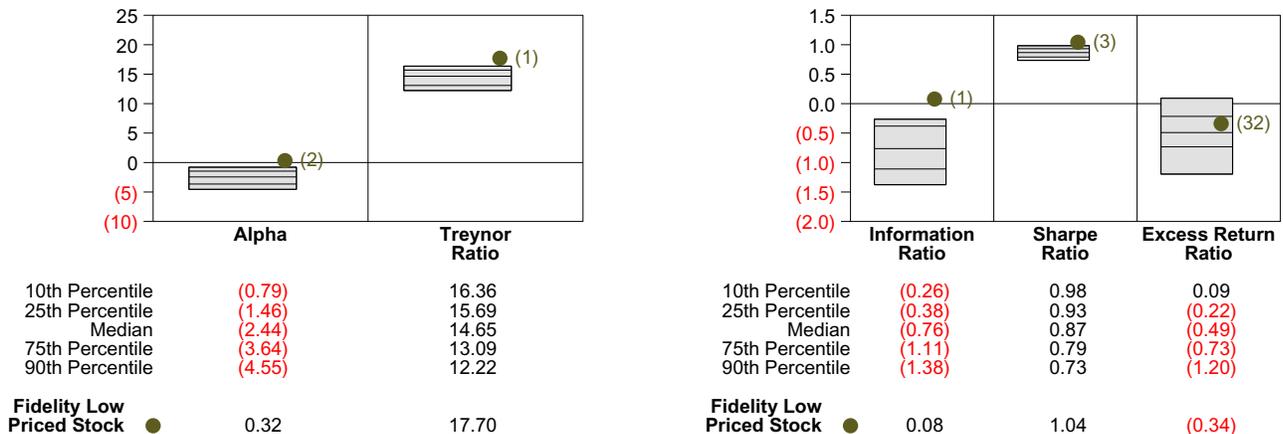
### Performance vs CAI MF - Mid Cap Value Style (Net)



### Cumulative and Quarterly Relative Return vs Russell MidCap Value Idx



### Risk Adjusted Return Measures vs Russell MidCap Value Idx Rankings Against CAI MF - Mid Cap Value Style (Net) Five Years Ended December 31, 2014

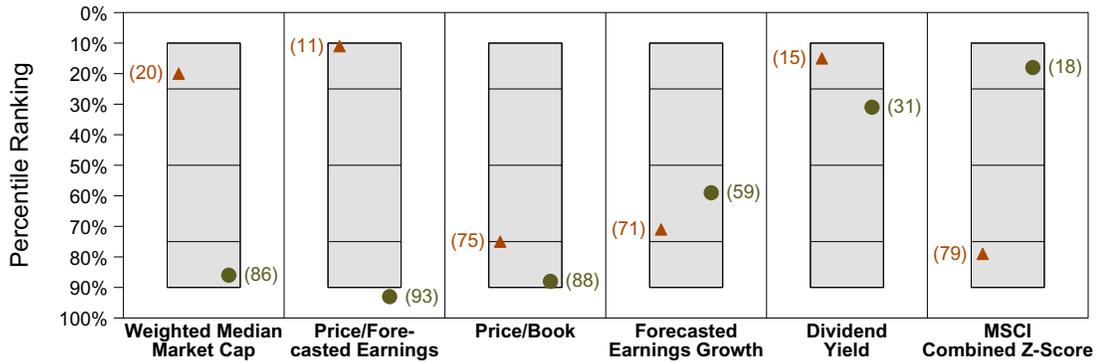


# Fidelity Low Priced Stock Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

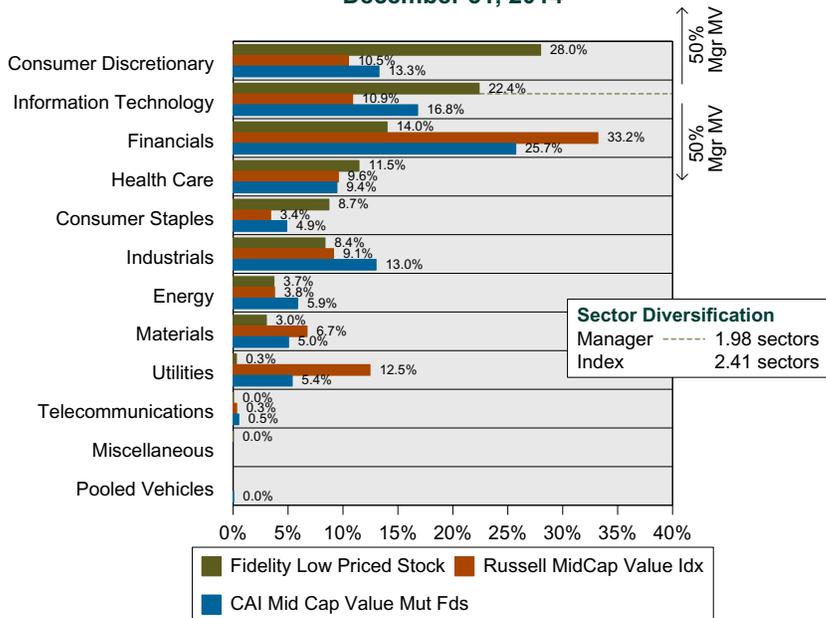
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Mid Cap Value Style as of December 31, 2014



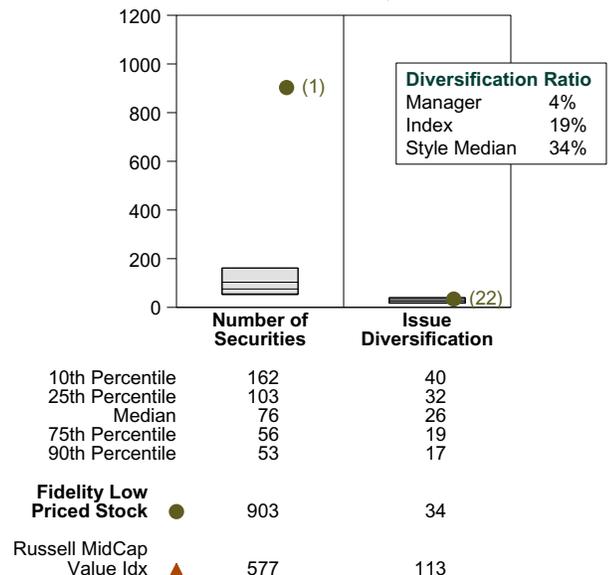
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



# Royce Total Return Period Ended December 31, 2014

## Investment Philosophy

The Royce Total Return Fund is managed with a disciplined value approach. The Fund's investment objectives are long-term growth and current income. Royce invests the Fund's assets primarily in dividend-paying small- and micro-cap companies. Switched from Investment Class Shares to Institutional Class Shares in December 2009.

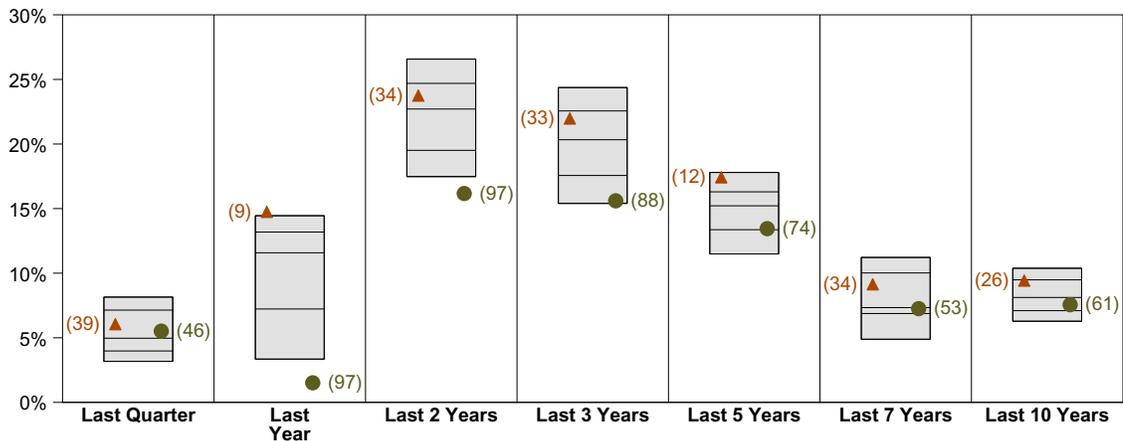
## Quarterly Summary and Highlights

- Royce Total Return's portfolio posted a 5.51% return for the quarter placing it in the 46 percentile of the CAI MF - Mid Cap Value Style group for the quarter and in the 97 percentile for the last year.
- Royce Total Return's portfolio underperformed the Russell MidCap Value Idx by 0.54% for the quarter and underperformed the Russell MidCap Value Idx for the year by 13.24%.

## Quarterly Asset Growth

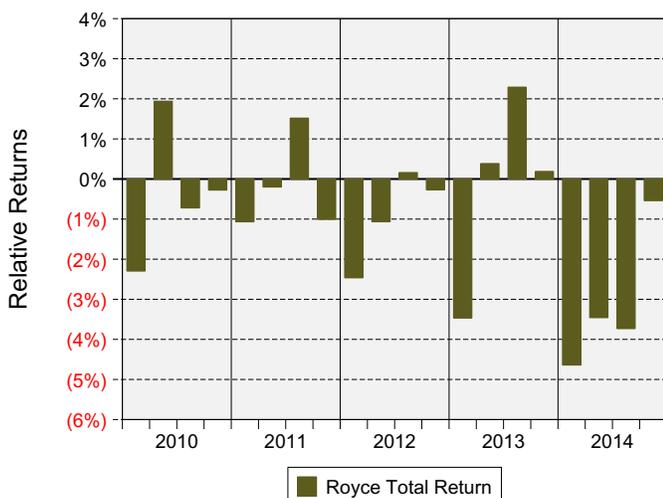
|                           |             |
|---------------------------|-------------|
| Beginning Market Value    | \$4,510,702 |
| Net New Investment        | \$0         |
| Investment Gains/(Losses) | \$248,726   |
| Ending Market Value       | \$4,759,428 |

## Performance vs CAI MF - Mid Cap Value Style (Net)

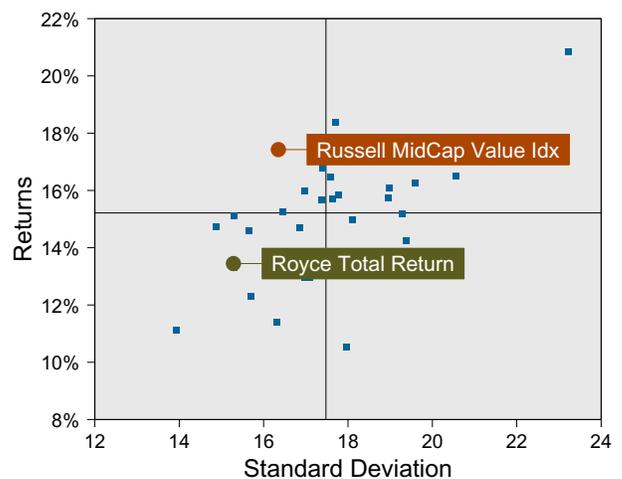


|                             |      |       |       |       |       |       |       |
|-----------------------------|------|-------|-------|-------|-------|-------|-------|
| 10th Percentile             | 8.15 | 14.45 | 26.57 | 24.37 | 17.80 | 11.22 | 10.38 |
| 25th Percentile             | 7.14 | 13.19 | 24.69 | 22.56 | 16.30 | 10.02 | 9.48  |
| Median                      | 4.97 | 11.58 | 22.71 | 20.33 | 15.22 | 7.33  | 8.12  |
| 75th Percentile             | 3.98 | 7.23  | 19.51 | 17.56 | 13.37 | 6.88  | 7.10  |
| 90th Percentile             | 3.18 | 3.35  | 17.48 | 15.40 | 11.49 | 4.88  | 6.28  |
| <b>Royce Total Return</b> ● | 5.51 | 1.51  | 16.17 | 15.60 | 13.45 | 7.25  | 7.56  |
| Russell MidCap Value Idx ▲  | 6.05 | 14.75 | 23.75 | 21.98 | 17.43 | 9.14  | 9.43  |

## Relative Return vs Russell MidCap Value Idx



## CAI MF - Mid Cap Value Style (Net) Annualized Five Year Risk vs Return

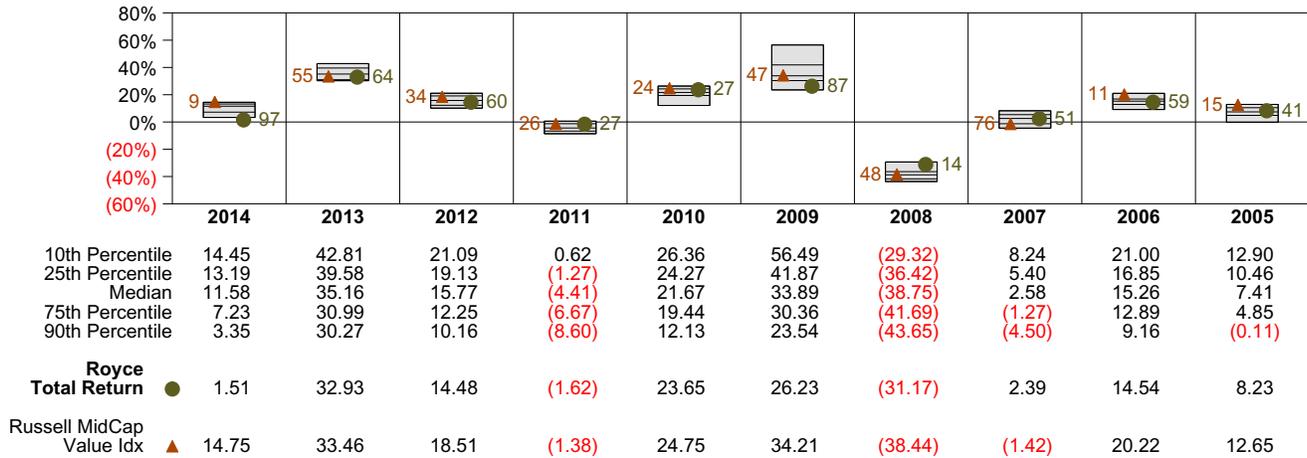


# Royce Total Return Return Analysis Summary

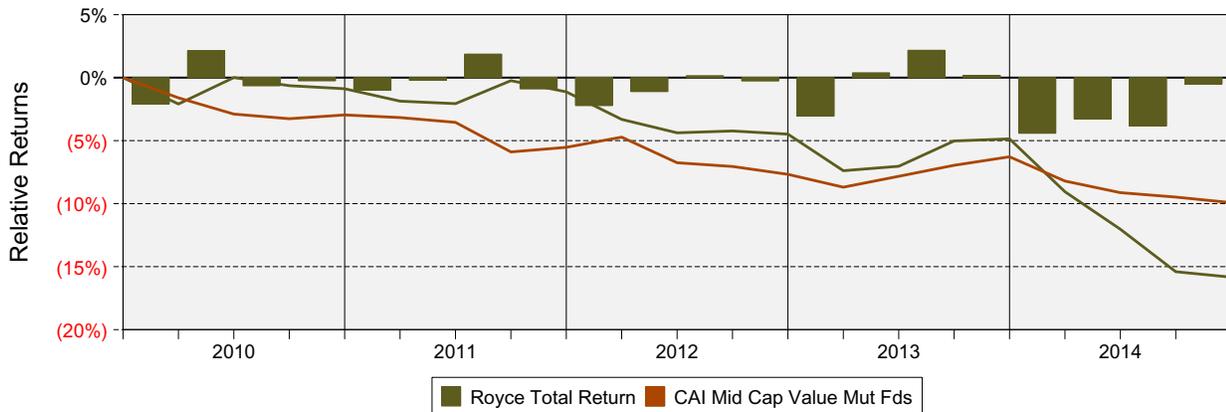
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

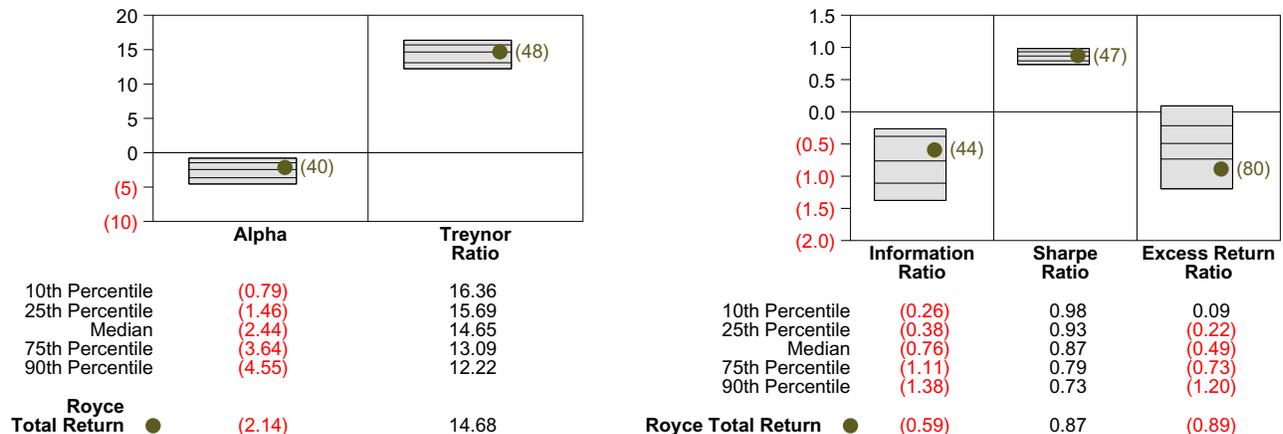
### Performance vs CAI MF - Mid Cap Value Style (Net)



### Cumulative and Quarterly Relative Return vs Russell MidCap Value Idx



### Risk Adjusted Return Measures vs Russell MidCap Value Idx Rankings Against CAI MF - Mid Cap Value Style (Net) Five Years Ended December 31, 2014

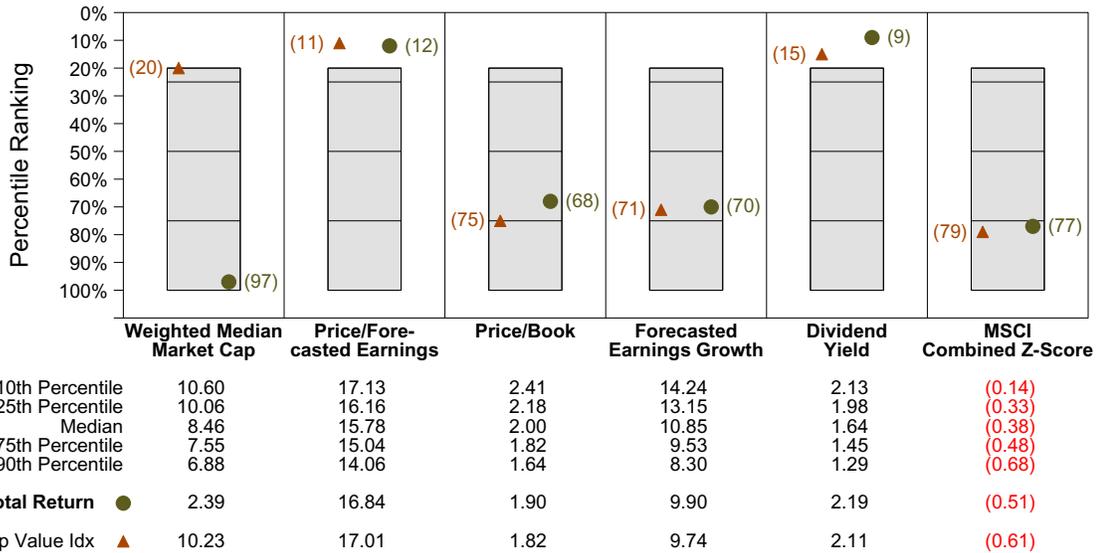


# Royce Total Return Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

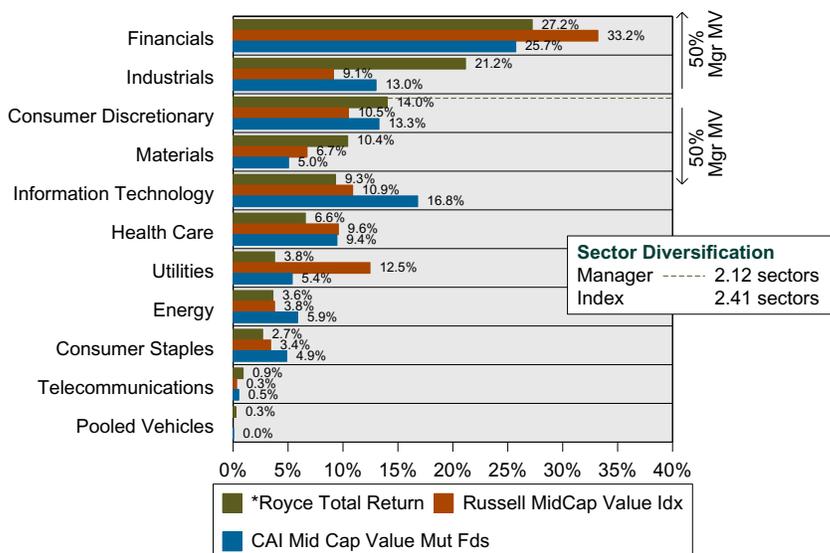
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Mid Cap Value Style as of December 31, 2014



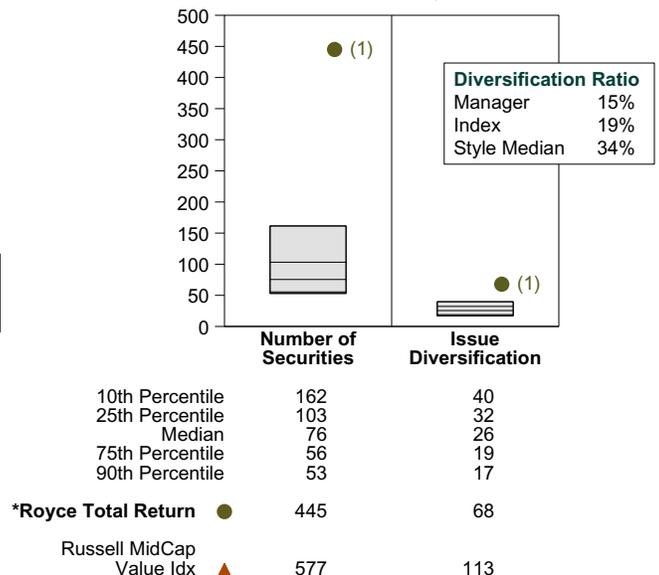
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



\* 12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

# Morgan Stanley Period Ended December 31, 2014

## Investment Philosophy

Morgan Stanley believes that sustainable growth that exceeds market expectations will produce superior investment results. Switched from Class I shares to Class IS shares in February 2014.

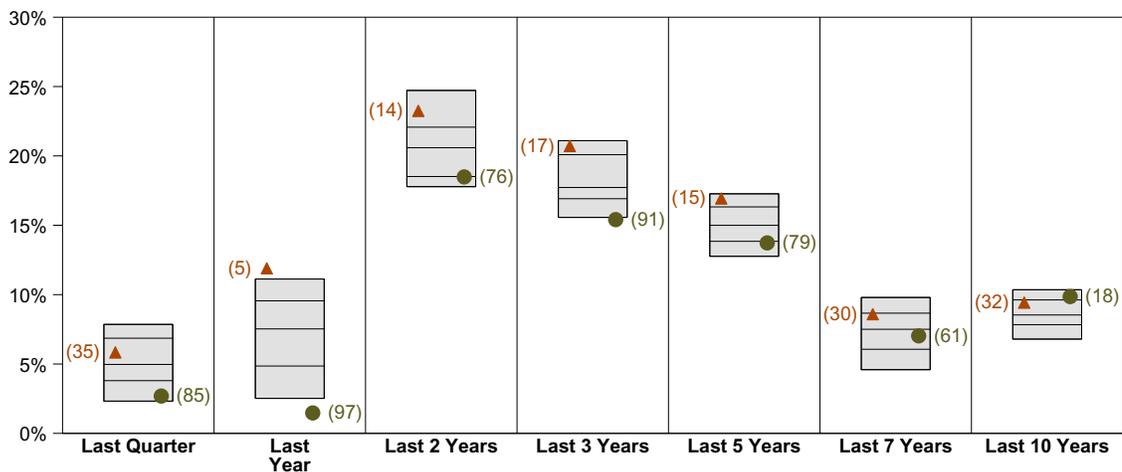
## Quarterly Summary and Highlights

- Morgan Stanley's portfolio posted a 2.69% return for the quarter placing it in the 85th percentile of the CAI MF - Mid Cap Growth Style group for the quarter and in the 97th percentile for the last year.
- Morgan Stanley's portfolio underperformed the Russell MidCap Growth Idx by 3.15% for the quarter and underperformed the Russell MidCap Growth Idx for the year by 10.43%.

## Quarterly Asset Growth

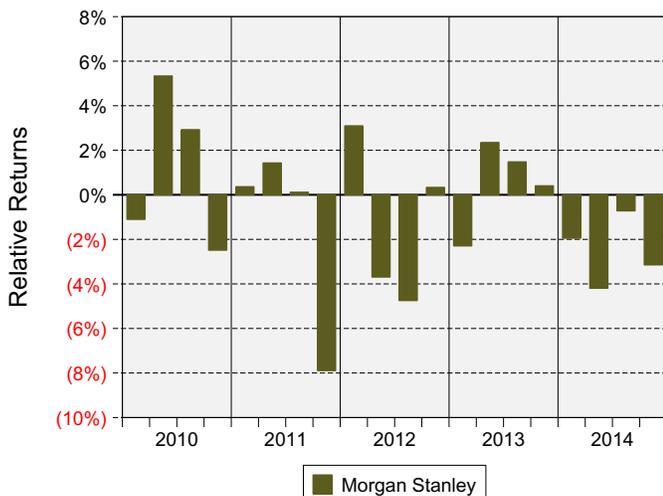
|                           |             |
|---------------------------|-------------|
| Beginning Market Value    | \$4,708,251 |
| Net New Investment        | \$0         |
| Investment Gains/(Losses) | \$126,646   |
| Ending Market Value       | \$4,834,897 |

## Performance vs CAI MF - Mid Cap Growth Style (Net)

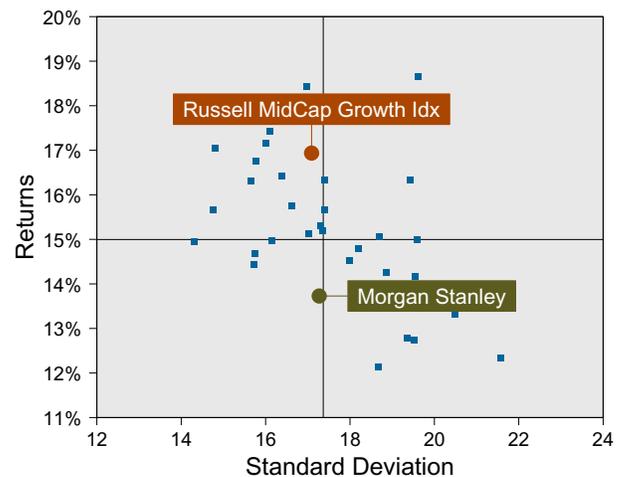


|                             |      |       |       |       |       |      |       |
|-----------------------------|------|-------|-------|-------|-------|------|-------|
| 10th Percentile             | 7.86 | 11.13 | 24.72 | 21.10 | 17.27 | 9.80 | 10.35 |
| 25th Percentile             | 6.86 | 9.55  | 22.07 | 20.09 | 16.32 | 8.66 | 9.62  |
| Median                      | 4.97 | 7.53  | 20.59 | 17.72 | 15.00 | 7.50 | 8.53  |
| 75th Percentile             | 3.80 | 4.85  | 18.51 | 16.91 | 13.84 | 6.06 | 7.83  |
| 90th Percentile             | 2.32 | 2.52  | 17.78 | 15.57 | 12.76 | 4.59 | 6.79  |
| <b>Morgan Stanley</b> ●     | 2.69 | 1.47  | 18.48 | 15.41 | 13.73 | 7.03 | 9.86  |
| Russell MidCap Growth Idx ▲ | 5.84 | 11.90 | 23.25 | 20.71 | 16.94 | 8.59 | 9.43  |

## Relative Return vs Russell MidCap Growth Idx



## CAI MF - Mid Cap Growth Style (Net) Annualized Five Year Risk vs Return

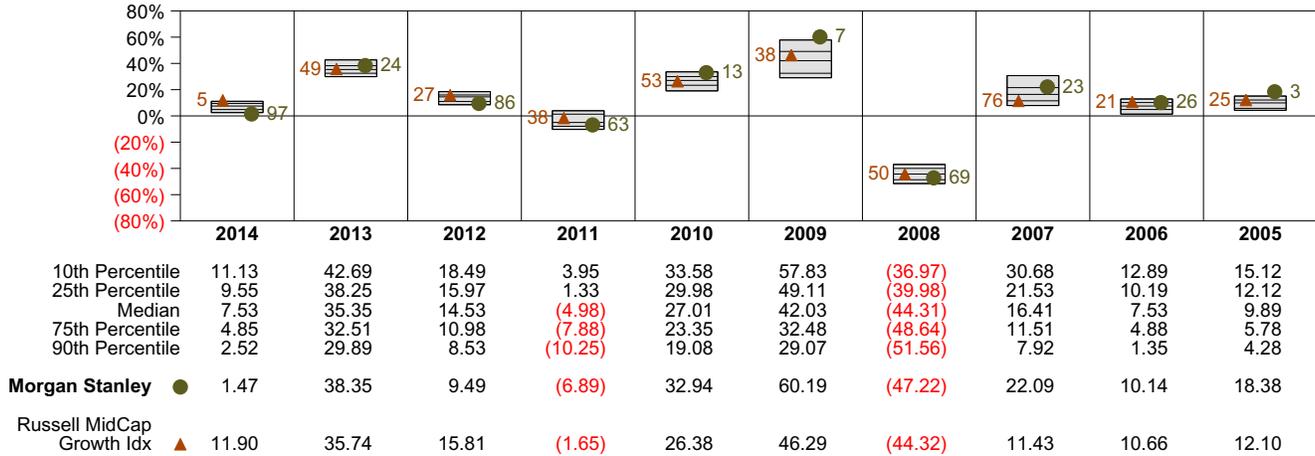


# Morgan Stanley Return Analysis Summary

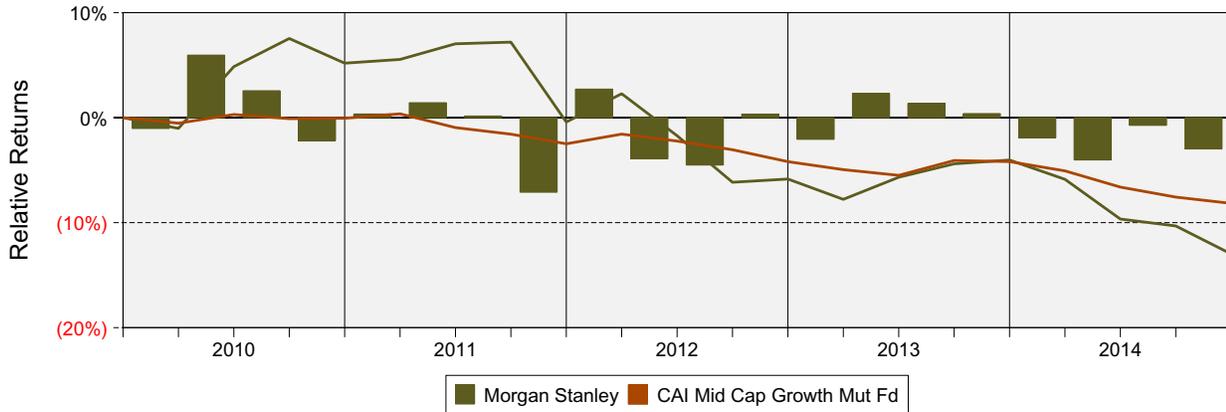
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

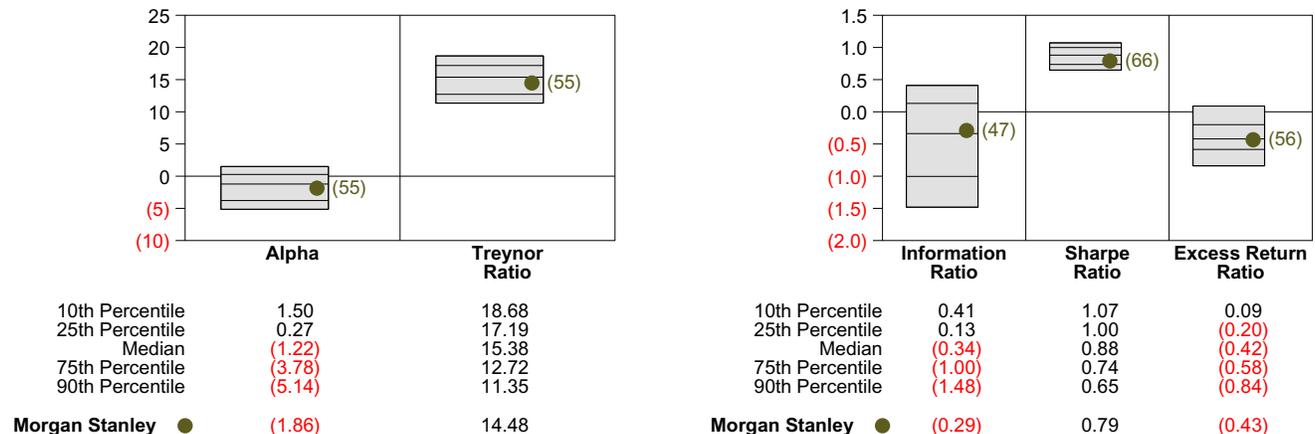
### Performance vs CAI MF - Mid Cap Growth Style (Net)



### Cumulative and Quarterly Relative Return vs Russell MidCap Growth Idx



### Risk Adjusted Return Measures vs Russell MidCap Growth Idx Rankings Against CAI MF - Mid Cap Growth Style (Net) Five Years Ended December 31, 2014

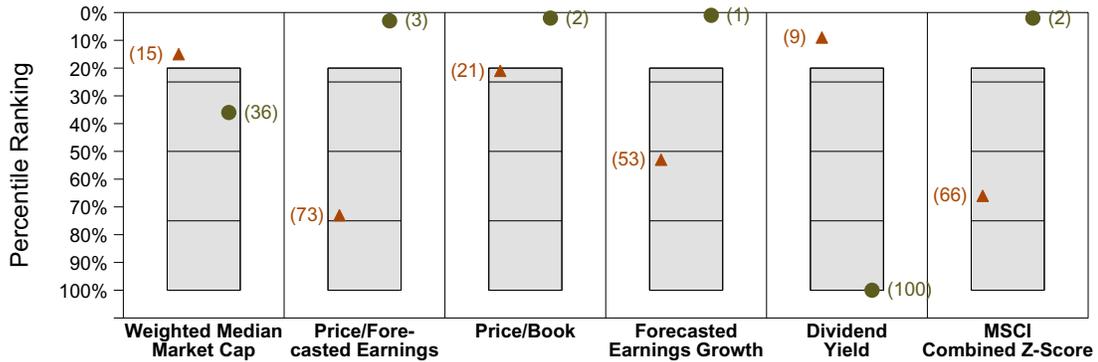


# Morgan Stanley Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

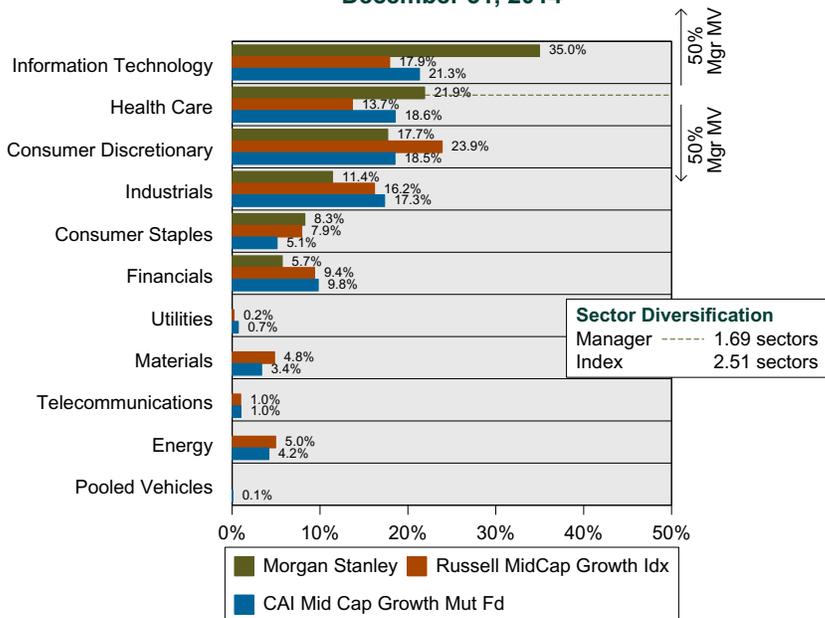
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Mid Cap Growth Style as of December 31, 2014



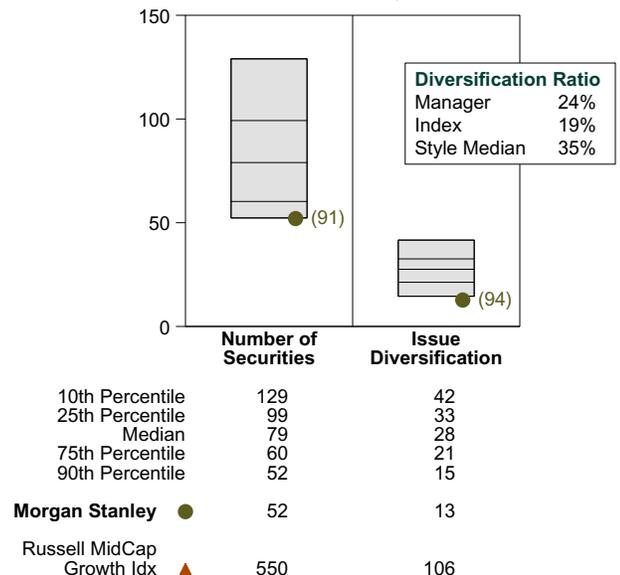
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



# Janus Enterprise

## Period Ended December 31, 2014

### Investment Philosophy

Janus believes that investing in companies with sustainable growth and high return on invested capital can drive consistent returns with moderate risk. The team seeks to identify mid cap companies with high quality management teams that wisely allocate capital to drive growth over time. Switched from Class T Shares to Class I Shares in December 2009.

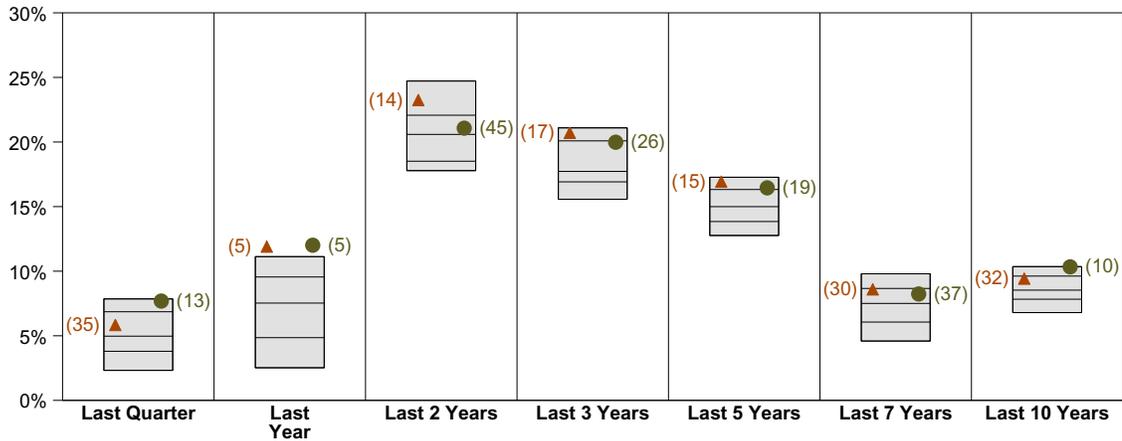
### Quarterly Summary and Highlights

- Janus Enterprise's portfolio posted a 7.69% return for the quarter placing it in the 13 percentile of the CAI MF - Mid Cap Growth Style group for the quarter and in the 5 percentile for the last year.
- Janus Enterprise's portfolio outperformed the Russell MidCap Growth Idx by 1.85% for the quarter and outperformed the Russell MidCap Growth Idx for the year by 0.11%.

### Quarterly Asset Growth

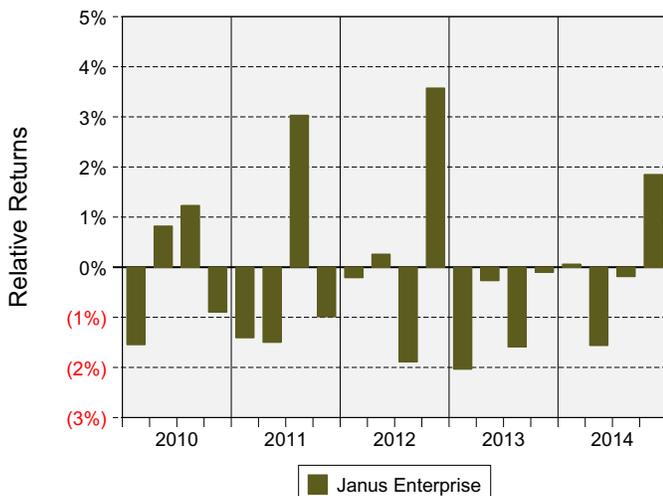
|                           |             |
|---------------------------|-------------|
| Beginning Market Value    | \$4,714,752 |
| Net New Investment        | \$0         |
| Investment Gains/(Losses) | \$362,455   |
| Ending Market Value       | \$5,077,207 |

### Performance vs CAI MF - Mid Cap Growth Style (Net)

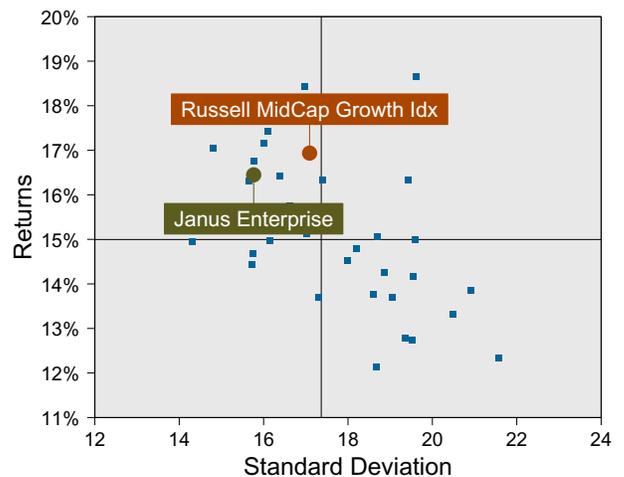


|                             |      |       |       |       |       |      |       |
|-----------------------------|------|-------|-------|-------|-------|------|-------|
| 10th Percentile             | 7.86 | 11.13 | 24.72 | 21.10 | 17.27 | 9.80 | 10.35 |
| 25th Percentile             | 6.86 | 9.55  | 22.07 | 20.09 | 16.32 | 8.66 | 9.62  |
| Median                      | 4.97 | 7.53  | 20.59 | 17.72 | 15.00 | 7.50 | 8.53  |
| 75th Percentile             | 3.80 | 4.85  | 18.51 | 16.91 | 13.84 | 6.06 | 7.83  |
| 90th Percentile             | 2.32 | 2.52  | 17.78 | 15.57 | 12.76 | 4.59 | 6.79  |
| <b>Janus Enterprise</b> ●   | 7.69 | 12.01 | 21.07 | 19.98 | 16.45 | 8.23 | 10.33 |
| Russell MidCap Growth Idx ▲ | 5.84 | 11.90 | 23.25 | 20.71 | 16.94 | 8.59 | 9.43  |

### Relative Return vs Russell MidCap Growth Idx



### CAI MF - Mid Cap Growth Style (Net) Annualized Five Year Risk vs Return

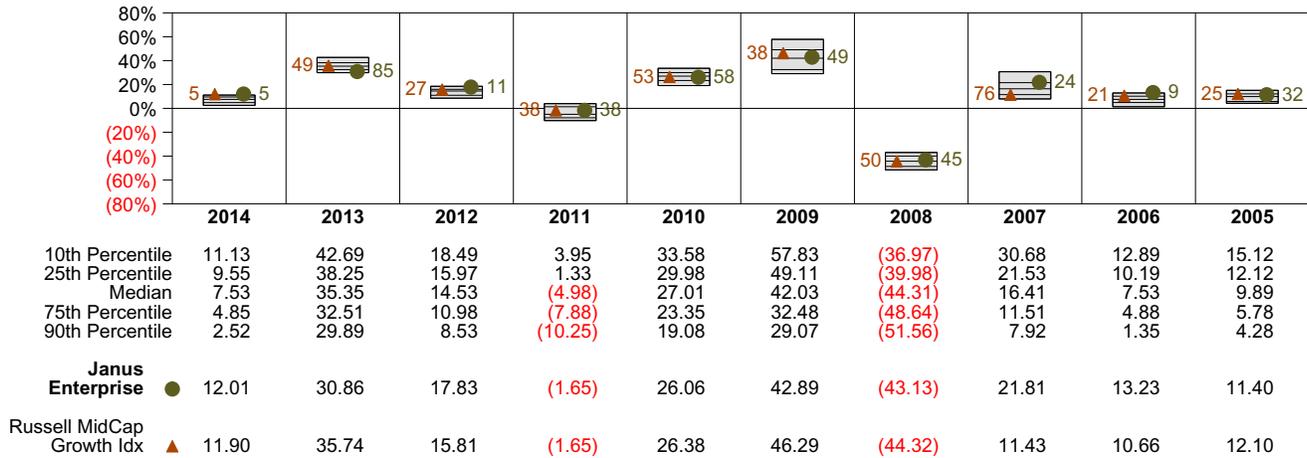


# Janus Enterprise Return Analysis Summary

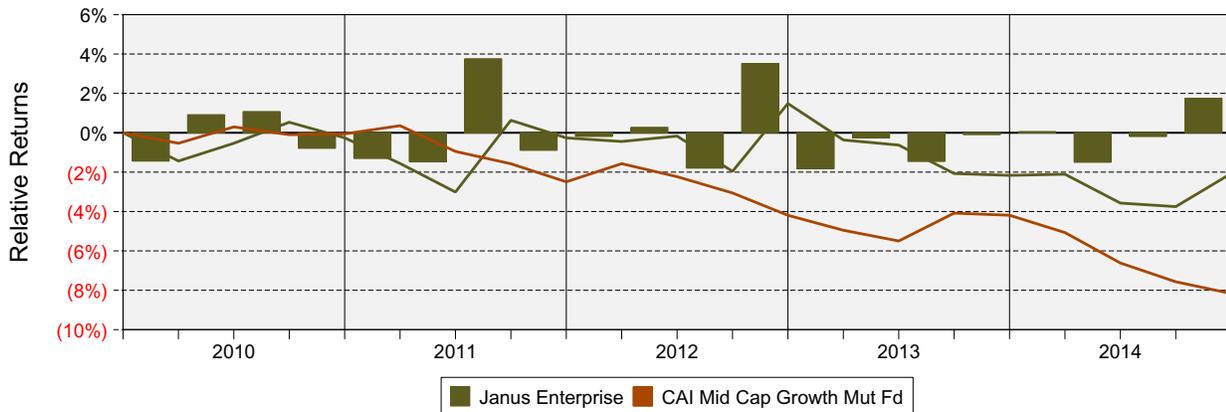
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

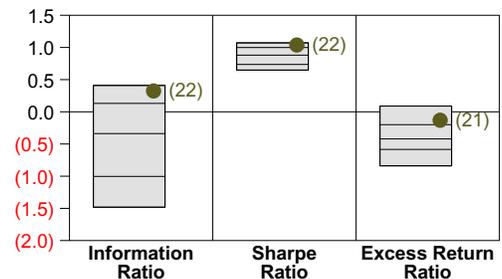
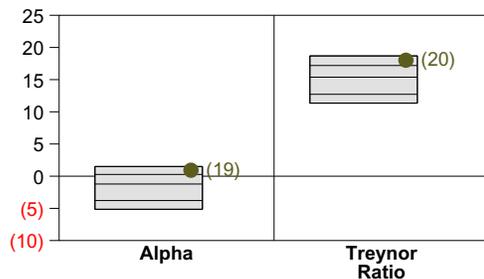
### Performance vs CAI MF - Mid Cap Growth Style (Net)



### Cumulative and Quarterly Relative Return vs Russell MidCap Growth Idx



### Risk Adjusted Return Measures vs Russell MidCap Growth Idx Rankings Against CAI MF - Mid Cap Growth Style (Net) Five Years Ended December 31, 2014

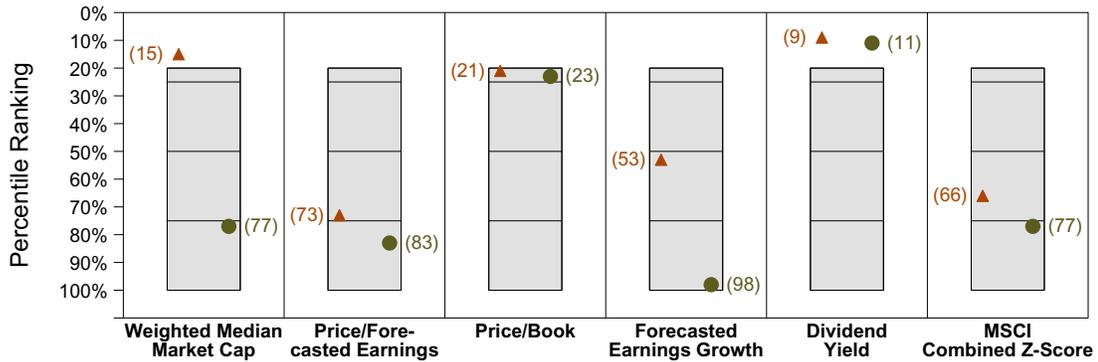


# Janus Enterprise Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

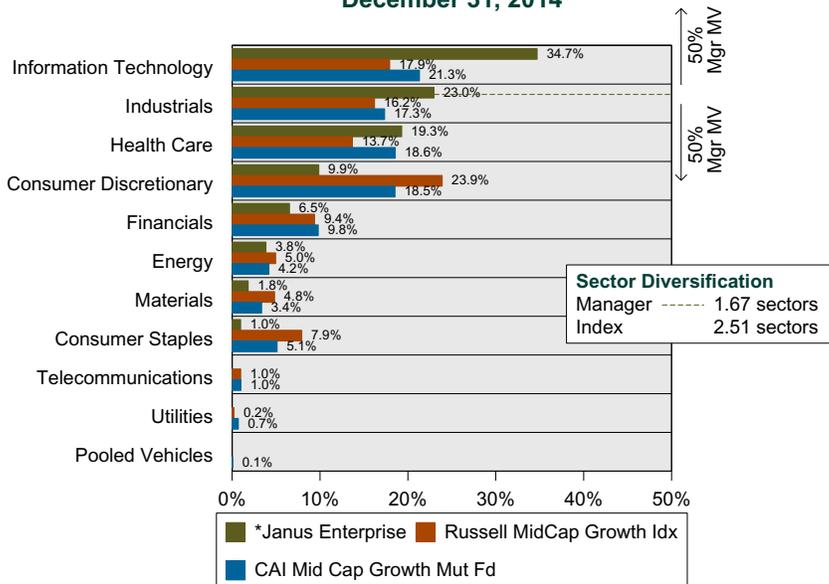
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Mid Cap Growth Style as of December 31, 2014



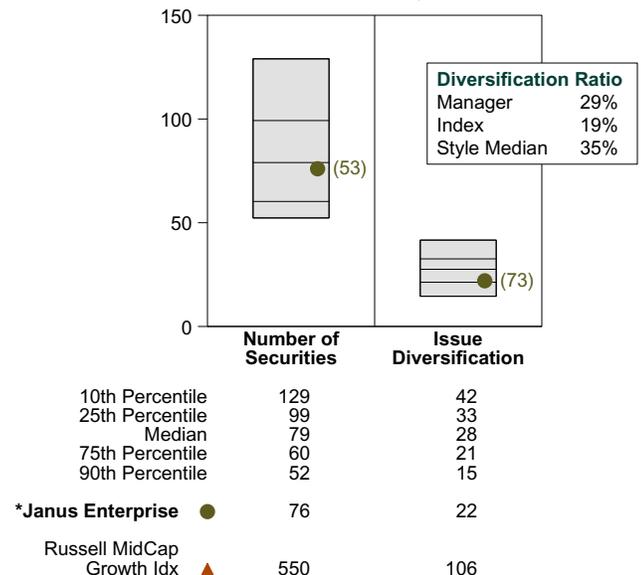
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

# Prudential Small Cap Value Period Ended December 31, 2014

## Investment Philosophy

Effective March 31, 2014 the fund is managed by six sub-advisors: Vaughan Nelson (22%), NFJ (20%), Sterling Capital (19%), Earnest Partners (18%), Lee Munder (12%), and J.P. Morgan (9%).

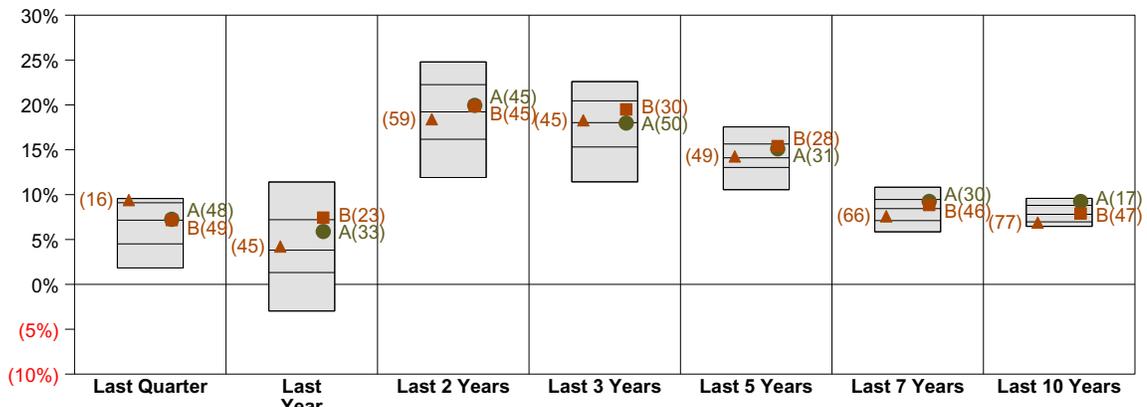
## Quarterly Summary and Highlights

- Prudential Small Cap Value's portfolio posted a 7.25% return for the quarter placing it in the 48 percentile of the CAI MF - Small Cap Value Style group for the quarter and in the 33 percentile for the last year.
- Prudential Small Cap Value's portfolio underperformed the Russell 2000 Value Index by 2.15% for the quarter and outperformed the Russell 2000 Value Index for the year by 1.67%.

## Quarterly Asset Growth

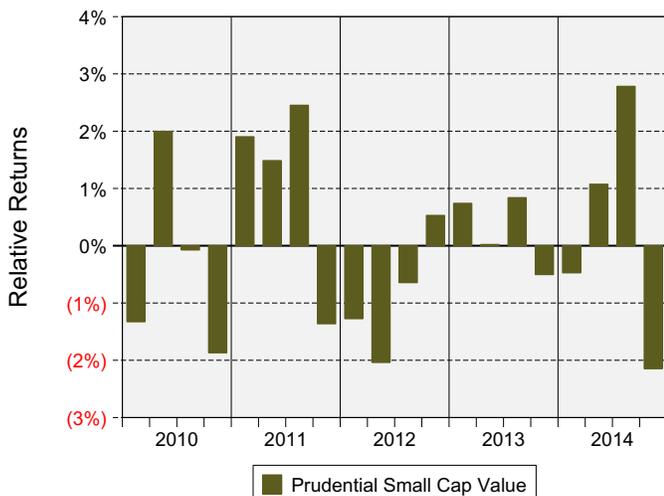
|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$11,868,908 |
| Net New Investment        | \$0          |
| Investment Gains/(Losses) | \$860,550    |
| Ending Market Value       | \$12,729,458 |

## Performance vs CAI MF - Small Cap Value Style (Net)

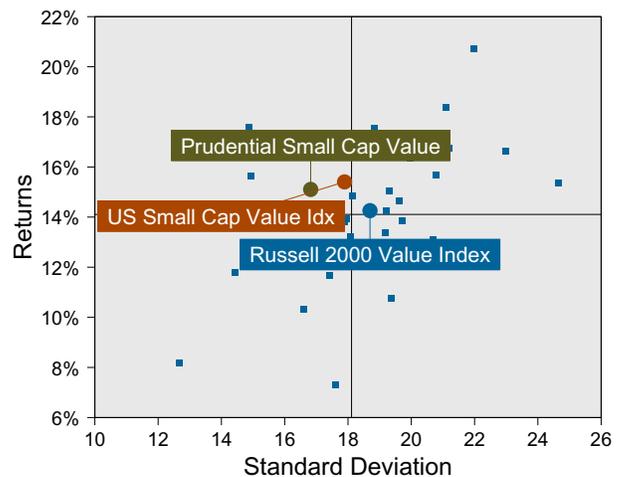


|                            | Last Quarter | Last Year | Last 2 Years | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|----------------------------|--------------|-----------|--------------|--------------|--------------|--------------|---------------|
| 10th Percentile            | 9.57         | 11.41     | 24.79        | 22.60        | 17.55        | 10.83        | 9.59          |
| 25th Percentile            | 9.09         | 7.21      | 22.26        | 20.45        | 15.64        | 9.46         | 8.80          |
| Median                     | 7.15         | 3.81      | 19.22        | 18.02        | 14.11        | 8.44         | 7.81          |
| 75th Percentile            | 4.51         | 1.32      | 16.17        | 15.31        | 13.03        | 7.11         | 6.97          |
| 90th Percentile            | 1.83         | (2.97)    | 11.91        | 11.42        | 10.55        | 5.85         | 6.46          |
| Prudential Small Cap Value | ● A 7.25     | ● B 5.89  | ● A 19.95    | ● B 17.98    | ● A 15.10    | ● B 9.24     | ● A 9.24      |
| US Small Cap Value Idx     | ■ B 7.17     | ■ A 7.44  | ■ B 19.85    | ■ A 19.50    | ■ B 15.40    | ■ A 8.85     | ■ B 7.90      |
| Russell 2000 Value Index   | ▲ 9.40       | ▲ 4.22    | ▲ 18.40      | ▲ 18.29      | ▲ 14.26      | ▲ 7.59       | ▲ 6.89        |

## Relative Return vs Russell 2000 Value Index



## CAI MF - Small Cap Value Style (Net) Annualized Five Year Risk vs Return

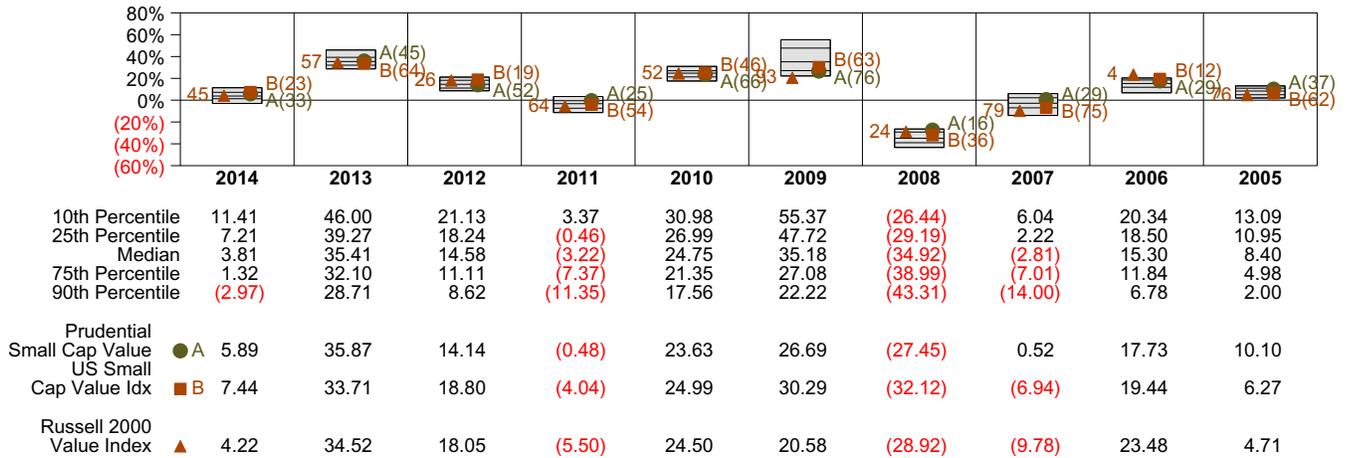


# Prudential Small Cap Value Return Analysis Summary

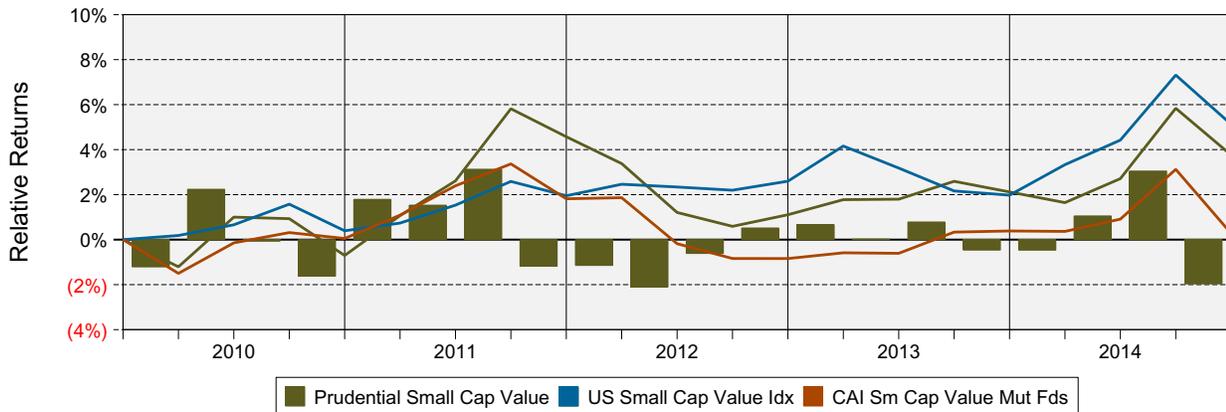
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

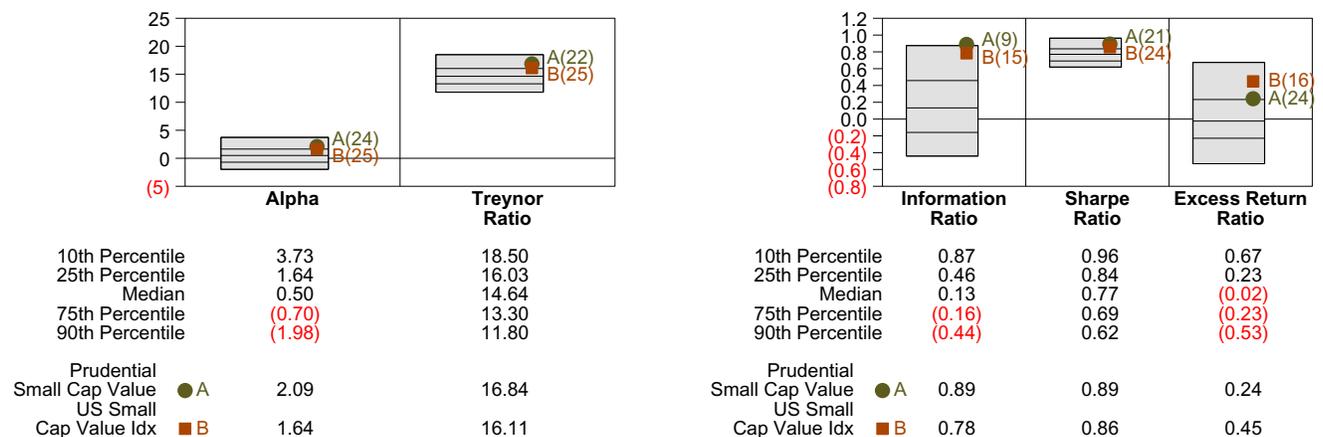
### Performance vs CAI MF - Small Cap Value Style (Net)



### Cumulative and Quarterly Relative Return vs Russell 2000 Value Index



### Risk Adjusted Return Measures vs Russell 2000 Value Index Rankings Against CAI MF - Small Cap Value Style (Net) Five Years Ended December 31, 2014

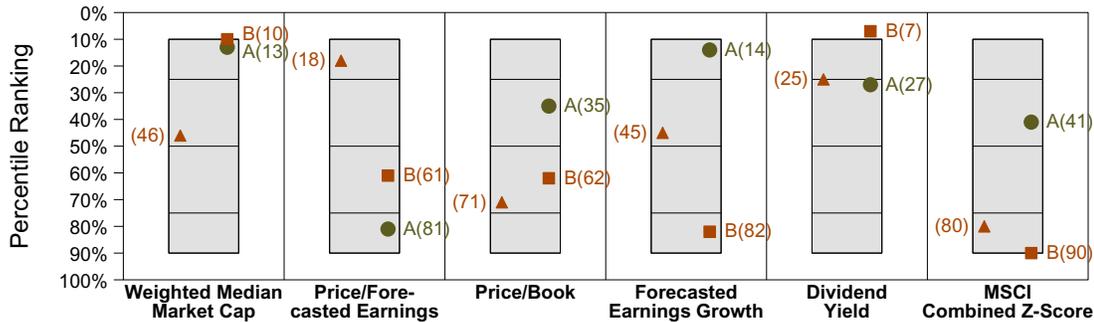


# Prudential Small Cap Value Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Small Cap Value Style as of December 31, 2014

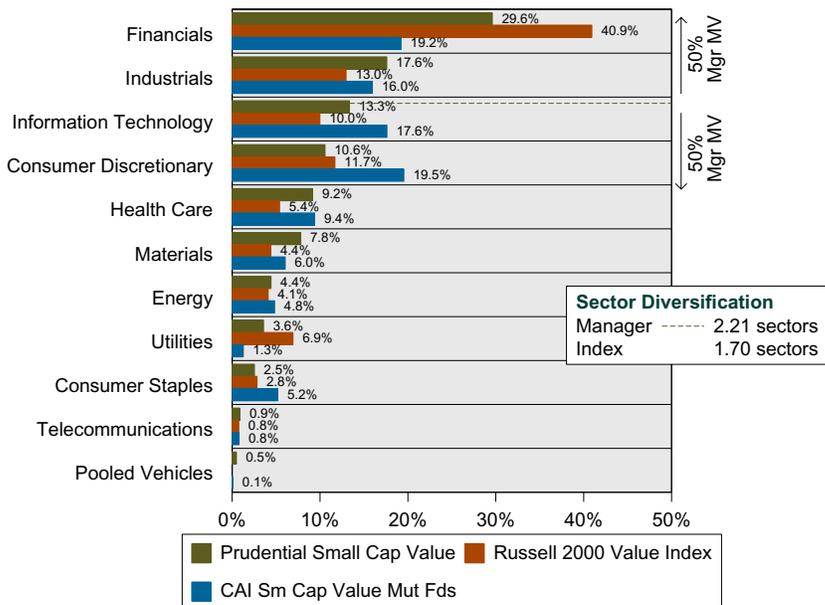


|                            | Weighted Median Market Cap | Price/Forecasted Earnings | Price/Book | Forecasted Earnings Growth | Dividend Yield | MSCI Combined Z-Score |
|----------------------------|----------------------------|---------------------------|------------|----------------------------|----------------|-----------------------|
| 10th Percentile            | 2.52                       | 19.92                     | 2.08       | 14.08                      | 2.23           | (0.10)                |
| 25th Percentile            | 1.81                       | 18.65                     | 1.94       | 12.50                      | 1.99           | (0.16)                |
| Median                     | 1.55                       | 17.13                     | 1.63       | 12.00                      | 1.39           | (0.43)                |
| 75th Percentile            | 1.36                       | 16.08                     | 1.42       | 10.88                      | 1.13           | (0.50)                |
| 90th Percentile            | 0.71                       | 13.19                     | 1.33       | 8.31                       | 0.92           | (0.70)                |
| Prudential Small Cap Value | 2.36                       | 15.05                     | 1.78       | 12.99                      | 1.82           | (0.39)                |
| US Small Cap Value Idx     | 2.54                       | 16.88                     | 1.58       | 10.24                      | 2.47           | (0.69)                |
| Russell 2000 Value Index   | 1.57                       | 19.11                     | 1.49       | 12.09                      | 2.00           | (0.53)                |

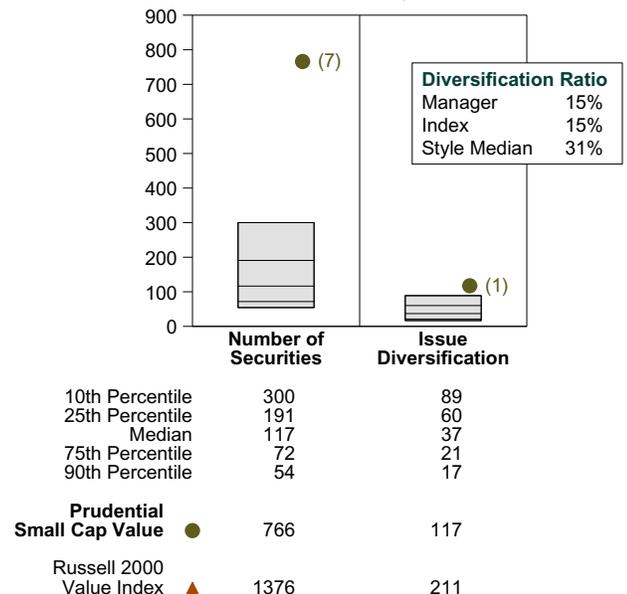
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



# AB US Small Growth Period Ended December 31, 2014

## Investment Philosophy

AB's small cap growth investment process emphasizes in-house fundamental research and direct management contact in order to identify rapidly growing companies with accelerating earnings power and reasonable valuations. AB's management fee is 100 bps on all assets.

## Quarterly Summary and Highlights

- AB US Small Growth's portfolio posted a 2.98% return for the quarter placing it in the 94 percentile of the CAI MF-Small Cap Growth Style group for the quarter and in the 80 percentile for the last year.
- AB US Small Growth's portfolio underperformed the Russell 2000 Growth Index by 7.07% for the quarter and underperformed the Russell 2000 Growth Index for the year by 6.84%.

## Quarterly Asset Growth

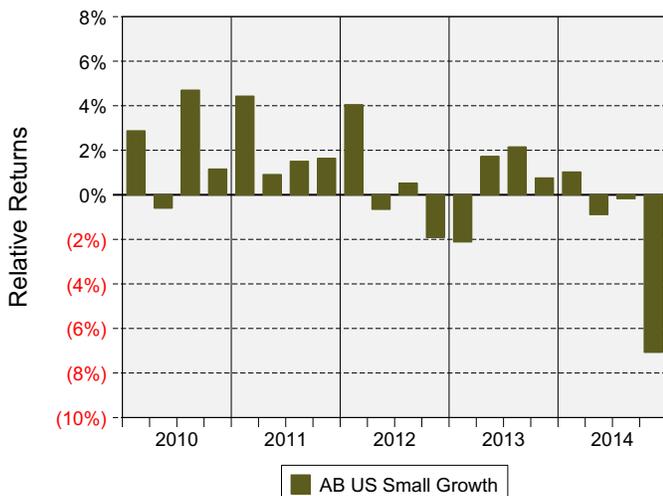
|                           |             |
|---------------------------|-------------|
| Beginning Market Value    | \$6,288,293 |
| Net New Investment        | \$16,188    |
| Investment Gains/(Losses) | \$187,776   |
| Ending Market Value       | \$6,492,257 |

## Performance vs CAI MF- Small Cap Growth Style (Net)

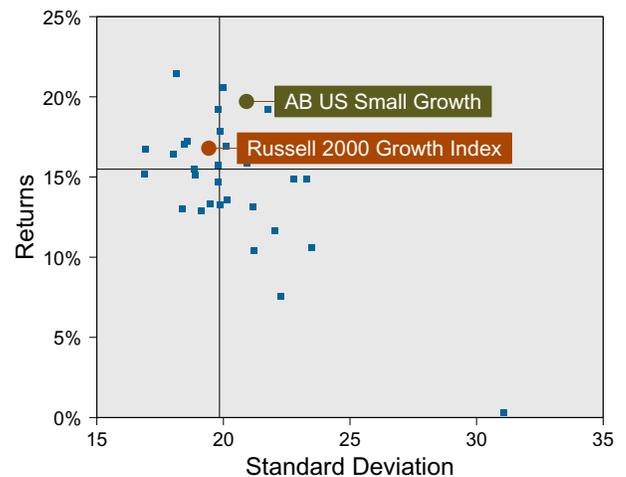


|                           |         |        |       |       |       |       |       |
|---------------------------|---------|--------|-------|-------|-------|-------|-------|
| 10th Percentile           | 9.80    | 8.28   | 25.81 | 22.54 | 19.19 | 9.93  | 10.93 |
| 25th Percentile           | 8.84    | 5.50   | 25.03 | 21.07 | 16.96 | 8.58  | 9.17  |
| Median                    | 7.82    | 1.99   | 21.60 | 19.73 | 15.49 | 7.33  | 8.52  |
| 75th Percentile           | 5.87    | (0.24) | 19.05 | 16.54 | 13.21 | 5.76  | 6.39  |
| 90th Percentile           | 3.53    | (5.19) | 16.17 | 14.02 | 10.47 | 2.16  | 3.51  |
| <b>AB US Small Growth</b> | ● 2.98  | (1.24) | 20.38 | 18.97 | 19.71 | 10.07 | 10.40 |
| Russell 2000 Growth Index | ▲ 10.06 | 5.60   | 23.02 | 20.14 | 16.80 | 8.73  | 8.54  |

## Relative Return vs Russell 2000 Growth Index



## CAI MF- Small Cap Growth Style (Net) Annualized Five Year Risk vs Return

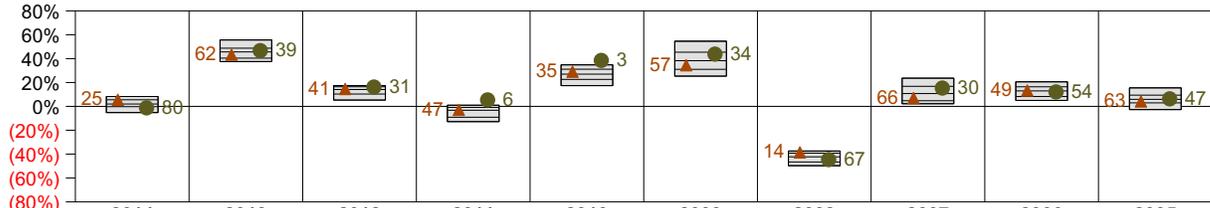


# AB US Small Growth Return Analysis Summary

## Return Analysis

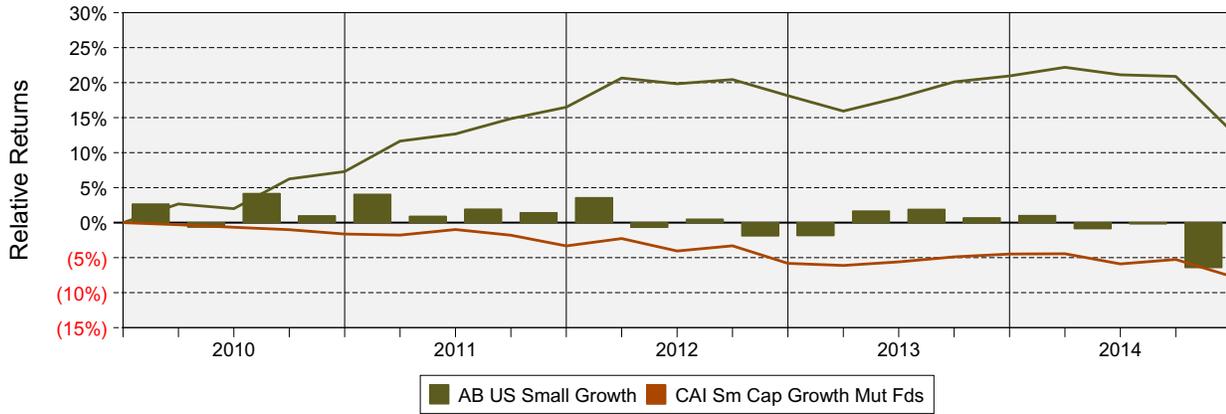
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

### Performance vs CAI MF- Small Cap Growth Style (Net)

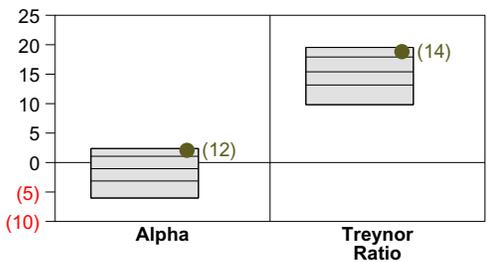


|                 |        |       |       |         |       |       |         |       |       |        |
|-----------------|--------|-------|-------|---------|-------|-------|---------|-------|-------|--------|
| 10th Percentile | 8.28   | 55.65 | 17.44 | 0.99    | 34.80 | 54.59 | (37.41) | 23.65 | 20.57 | 15.52  |
| 25th Percentile | 5.50   | 48.76 | 16.45 | (0.84)  | 31.13 | 45.40 | (39.17) | 16.79 | 16.40 | 9.40   |
| Median          | 1.99   | 45.64 | 14.14 | (3.28)  | 26.99 | 38.26 | (42.32) | 10.73 | 12.96 | 5.89   |
| 75th Percentile | (0.24) | 40.42 | 10.34 | (9.11)  | 22.60 | 31.03 | (46.62) | 4.72  | 8.24  | 2.93   |
| 90th Percentile | (5.19) | 37.53 | 5.27  | (12.81) | 17.39 | 25.33 | (49.73) | 2.20  | 4.97  | (2.69) |

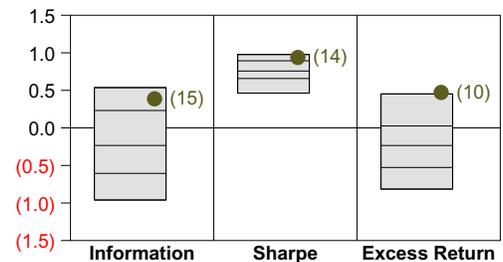
### Cumulative and Quarterly Relative Return vs Russell 2000 Growth Index



### Risk Adjusted Return Measures vs Russell 2000 Growth Index Rankings Against CAI MF- Small Cap Growth Style (Net) Five Years Ended December 31, 2014



|                             |        |       |
|-----------------------------|--------|-------|
| 10th Percentile             | 2.38   | 19.54 |
| 25th Percentile             | 1.06   | 17.92 |
| Median                      | (1.04) | 15.40 |
| 75th Percentile             | (3.13) | 13.16 |
| 90th Percentile             | (6.02) | 9.81  |
| <b>AB US Small Growth</b> ● | 2.08   | 18.82 |



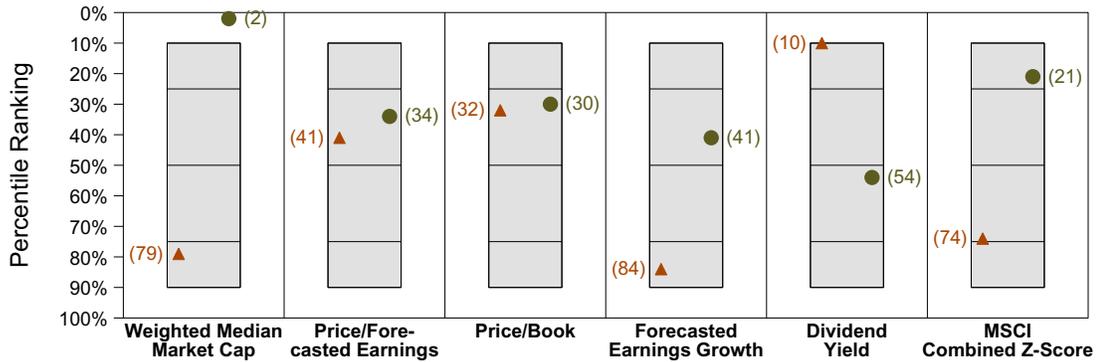
|                             |        |      |        |
|-----------------------------|--------|------|--------|
| 10th Percentile             | 0.54   | 0.98 | 0.45   |
| 25th Percentile             | 0.23   | 0.89 | 0.03   |
| Median                      | (0.23) | 0.76 | (0.23) |
| 75th Percentile             | (0.61) | 0.66 | (0.53) |
| 90th Percentile             | (0.96) | 0.46 | (0.82) |
| <b>AB US Small Growth</b> ● | 0.39   | 0.94 | 0.47   |

# AB US Small Growth Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF- Small Cap Growth Style as of December 31, 2014

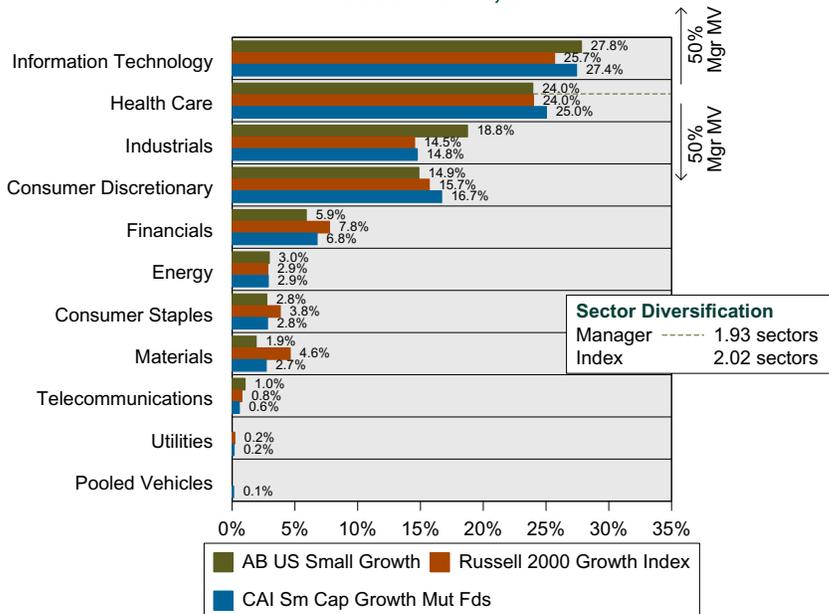


|                           | Weighted Median Market Cap | Price/Forecasted Earnings | Price/Book  | Forecasted Earnings Growth | Dividend Yield | MSCI Combined Z-Score |
|---------------------------|----------------------------|---------------------------|-------------|----------------------------|----------------|-----------------------|
| 10th Percentile           | 2.55                       | 53.72                     | 4.61        | 23.74                      | 0.62           | 1.32                  |
| 25th Percentile           | 2.26                       | 37.13                     | 4.21        | 22.24                      | 0.51           | 0.94                  |
| Median                    | 2.05                       | 28.09                     | 3.57        | 19.79                      | 0.39           | 0.84                  |
| 75th Percentile           | 1.83                       | 22.25                     | 3.03        | 18.57                      | 0.29           | 0.67                  |
| 90th Percentile           | 1.26                       | 19.06                     | 2.81        | 17.86                      | 0.21           | 0.52                  |
| <b>AB US Small Growth</b> | <b>3.35</b>                | <b>30.24</b>              | <b>3.96</b> | <b>20.22</b>               | <b>0.36</b>    | <b>1.01</b>           |
| Russell 2000 Growth Index | 1.79                       | 29.05                     | 3.92        | 18.27                      | 0.62           | 0.68                  |

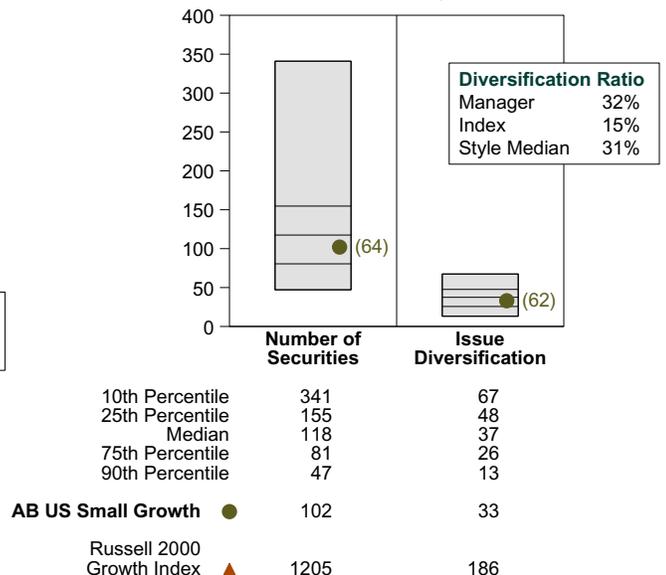
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



# RS Investments

## Period Ended December 31, 2014

### Investment Philosophy

RS Growth Team's investment philosophy is based upon the belief that long term capital appreciation can be achieved by exploiting opportunities where an information gap exists. They believe that companies with developing or proven competitive advantages and strong fundamentals can be identified early in their growth cycle, through insightful fundamental research performed by experienced analysts and proprietary quantitative tools. Switched from Class A Shares to Class Y Shares in December 2009.

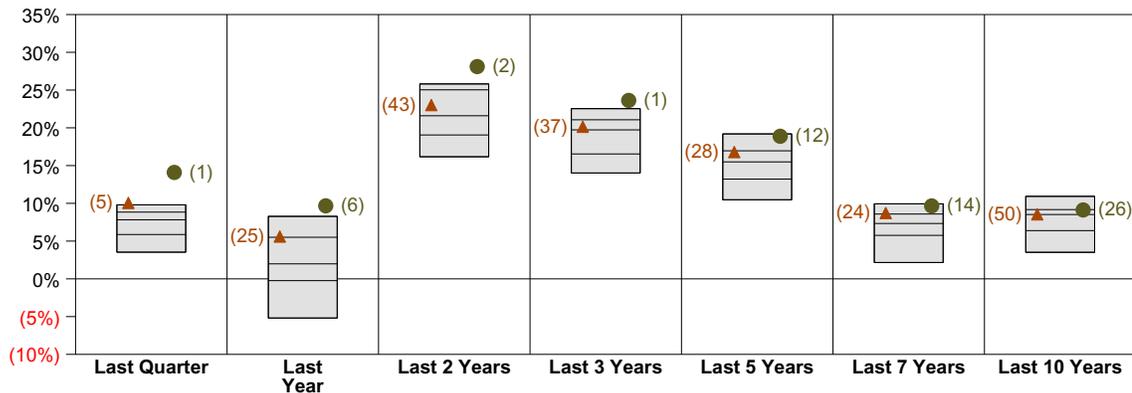
### Quarterly Summary and Highlights

- RS Investments's portfolio posted a 14.09% return for the quarter placing it in the 1 percentile of the CAI MF- Small Cap Growth Style group for the quarter and in the 6 percentile for the last year.
- RS Investments's portfolio outperformed the Russell 2000 Growth Index by 4.03% for the quarter and outperformed the Russell 2000 Growth Index for the year by 4.07%.

### Quarterly Asset Growth

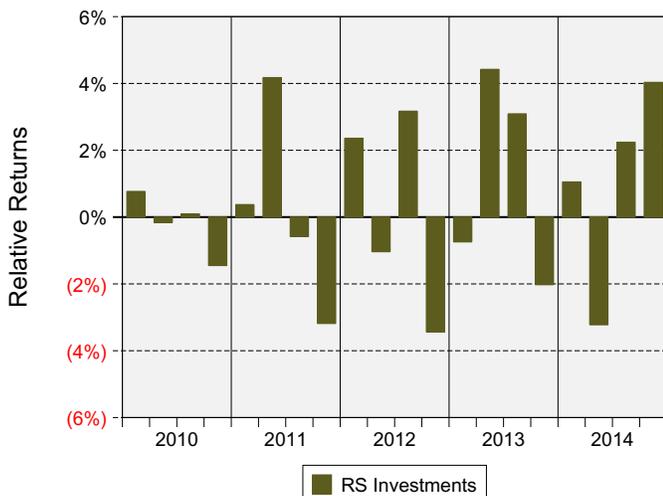
|                           |             |
|---------------------------|-------------|
| Beginning Market Value    | \$4,548,114 |
| Net New Investment        | \$0         |
| Investment Gains/(Losses) | \$640,857   |
| Ending Market Value       | \$5,188,970 |

### Performance vs CAI MF- Small Cap Growth Style (Net)

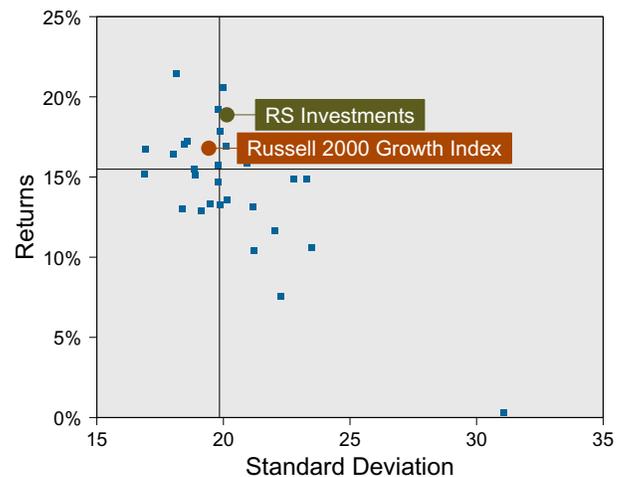


|                             |       |        |       |       |       |      |       |
|-----------------------------|-------|--------|-------|-------|-------|------|-------|
| 10th Percentile             | 9.80  | 8.28   | 25.81 | 22.54 | 19.19 | 9.93 | 10.93 |
| 25th Percentile             | 8.84  | 5.50   | 25.03 | 21.07 | 16.96 | 8.58 | 9.17  |
| Median                      | 7.82  | 1.99   | 21.60 | 19.73 | 15.49 | 7.33 | 8.52  |
| 75th Percentile             | 5.87  | (0.24) | 19.05 | 16.54 | 13.21 | 5.76 | 6.39  |
| 90th Percentile             | 3.53  | (5.19) | 16.17 | 14.02 | 10.47 | 2.16 | 3.51  |
| <b>RS Investments</b> ●     | 14.09 | 9.67   | 28.11 | 23.63 | 18.88 | 9.66 | 9.12  |
| Russell 2000 Growth Index ▲ | 10.06 | 5.60   | 23.02 | 20.14 | 16.80 | 8.73 | 8.54  |

### Relative Return vs Russell 2000 Growth Index



### CAI MF- Small Cap Growth Style (Net) Annualized Five Year Risk vs Return

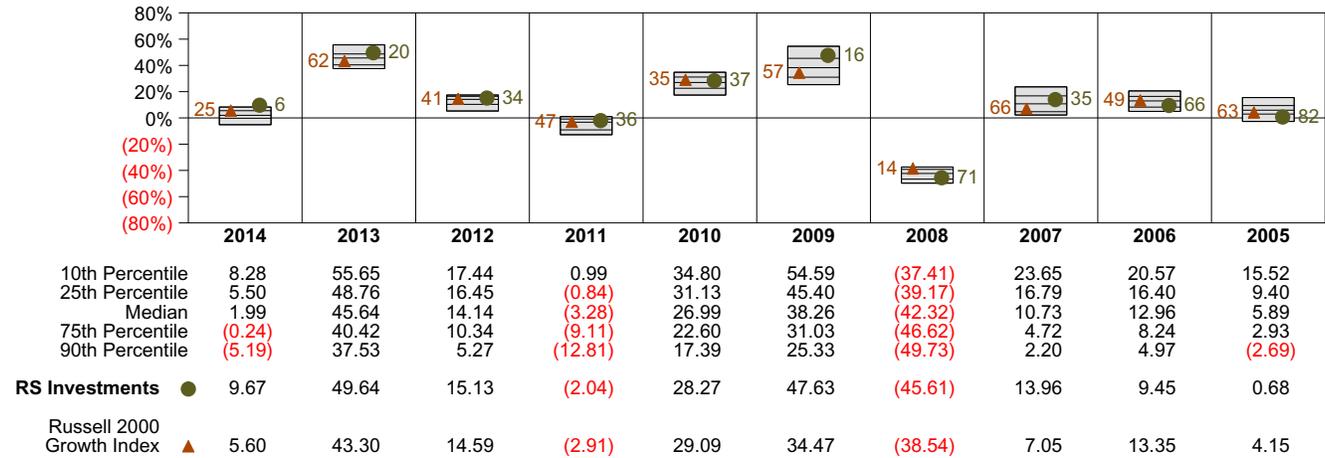


# RS Investments Return Analysis Summary

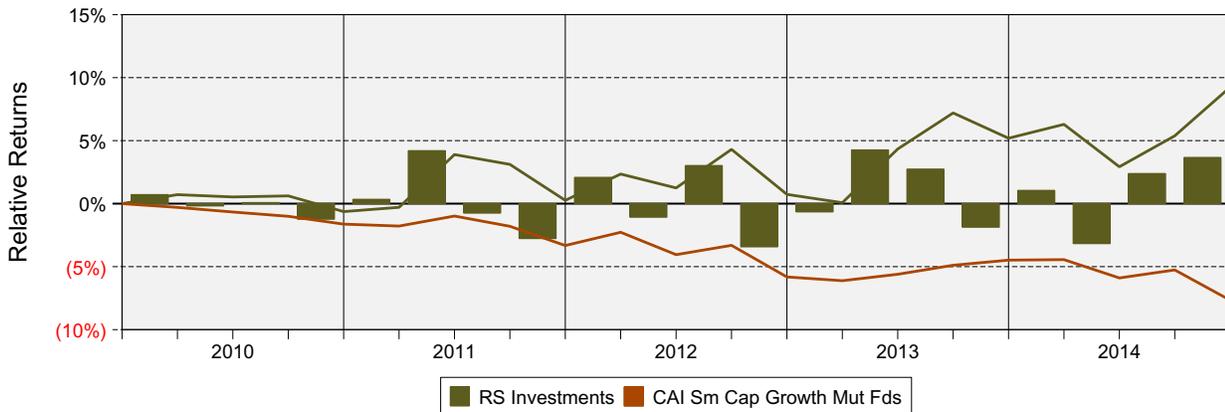
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

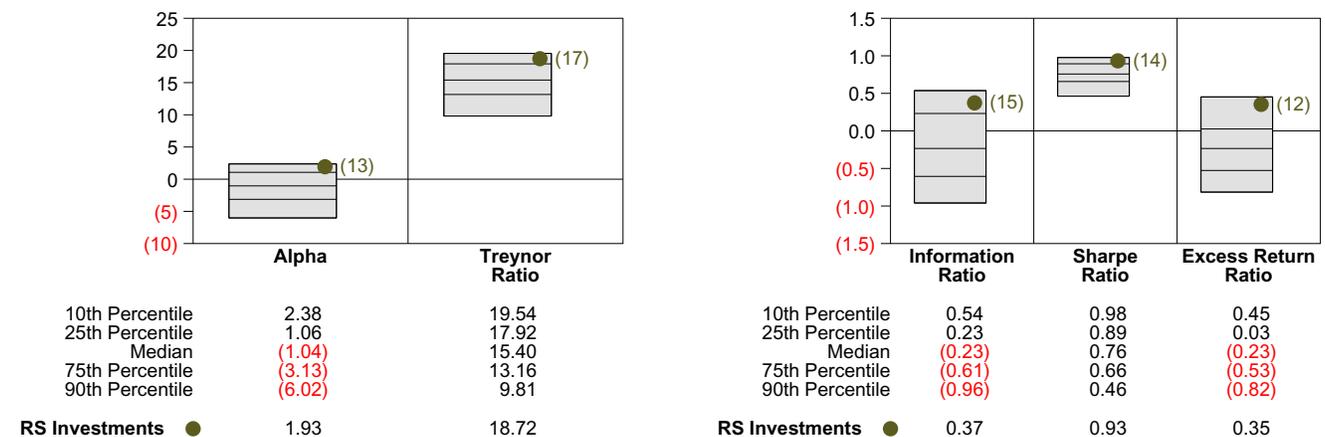
### Performance vs CAI MF- Small Cap Growth Style (Net)



### Cumulative and Quarterly Relative Return vs Russell 2000 Growth Index



### Risk Adjusted Return Measures vs Russell 2000 Growth Index Rankings Against CAI MF- Small Cap Growth Style (Net) Five Years Ended December 31, 2014

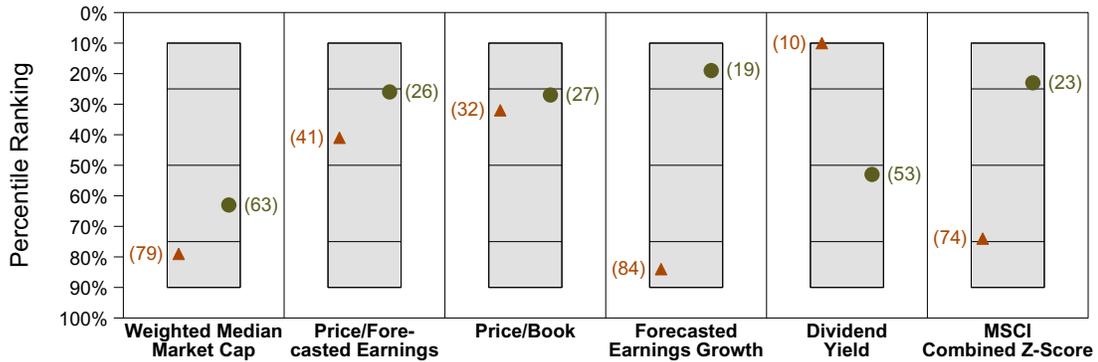


# RS Investments Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF- Small Cap Growth Style as of December 31, 2014

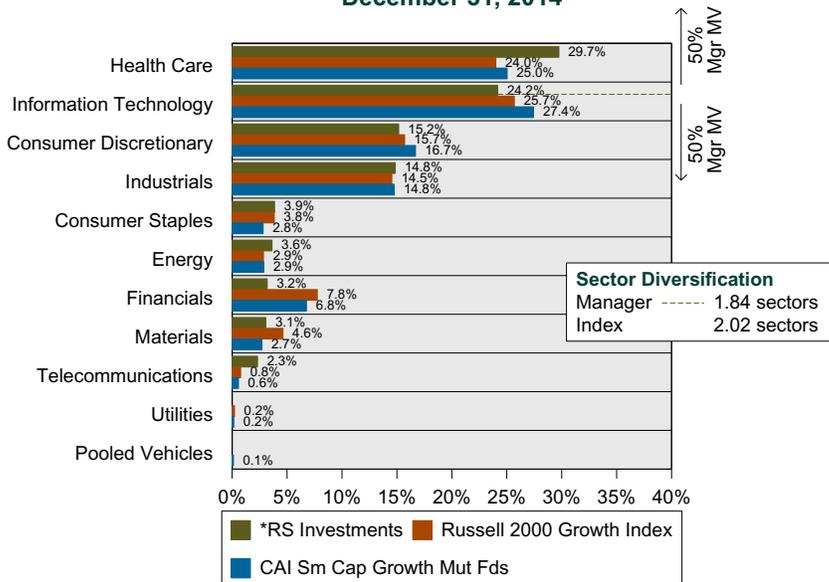


|                           | Weighted Median Market Cap | Price/Forecasted Earnings | Price/Book | Forecasted Earnings Growth | Dividend Yield | MSCI Combined Z-Score |
|---------------------------|----------------------------|---------------------------|------------|----------------------------|----------------|-----------------------|
| 10th Percentile           | 2.55                       | 53.72                     | 4.61       | 23.74                      | 0.62           | 1.32                  |
| 25th Percentile           | 2.26                       | 37.13                     | 4.21       | 22.24                      | 0.51           | 0.94                  |
| Median                    | 2.05                       | 28.09                     | 3.57       | 19.79                      | 0.39           | 0.84                  |
| 75th Percentile           | 1.83                       | 22.25                     | 3.03       | 18.57                      | 0.29           | 0.67                  |
| 90th Percentile           | 1.26                       | 19.06                     | 2.81       | 17.86                      | 0.21           | 0.52                  |
| <b>*RS Investments</b>    | 1.99                       | 35.82                     | 4.14       | 23.32                      | 0.36           | 0.97                  |
| Russell 2000 Growth Index | 1.79                       | 29.05                     | 3.92       | 18.27                      | 0.62           | 0.68                  |

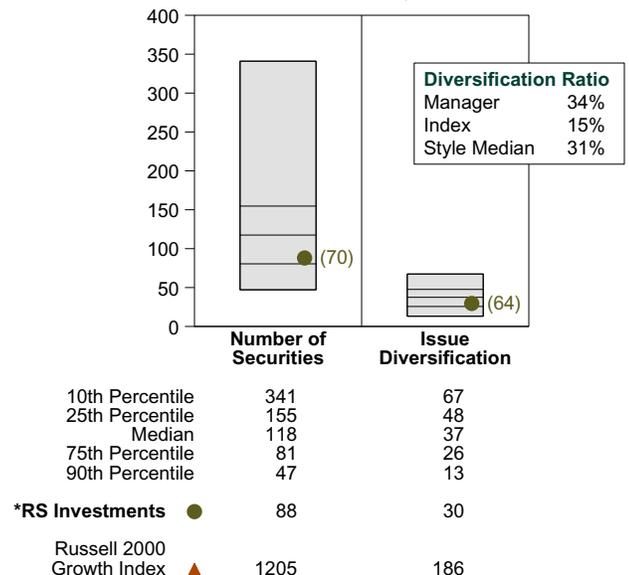
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

# Managers Inst Micro Cap Period Ended December 31, 2014

## Investment Philosophy

The Fund's objective is to achieve long term capital appreciation, through the investment of U.S. companies, which at the time of initial purchase have a market capitalization amongst the smallest 5% of companies listed on the U.S. stock markets

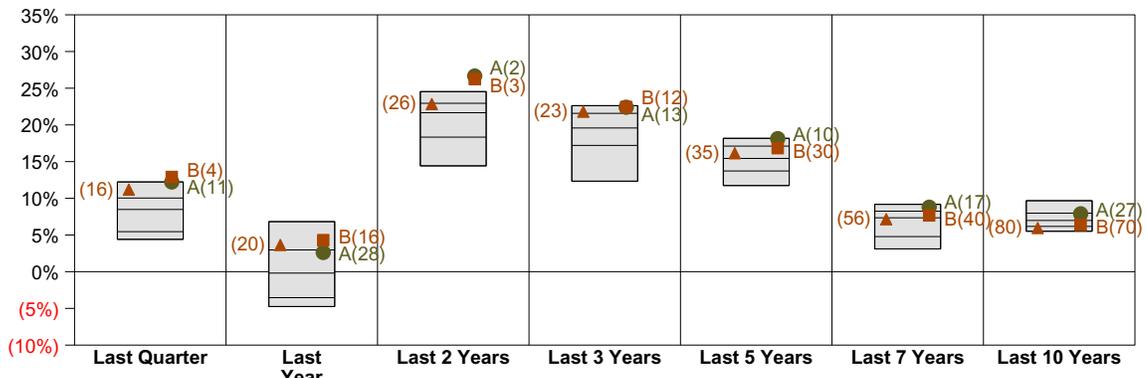
## Quarterly Summary and Highlights

- Managers Inst Micro Cap's portfolio posted a 12.22% return for the quarter placing it in the 11 percentile of the MF - Micro Cap Obj group for the quarter and in the 28 percentile for the last year.
- Managers Inst Micro Cap's portfolio outperformed the Russell Microcap Index by 1.03% for the quarter and underperformed the Russell Microcap Index for the year by 1.03%.

## Quarterly Asset Growth

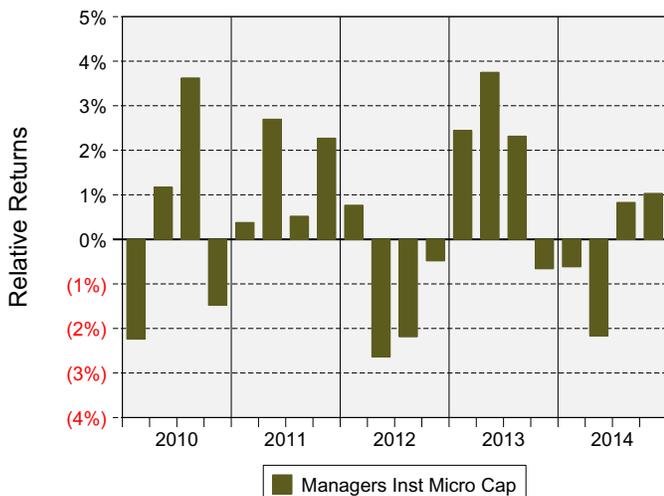
|                           |             |
|---------------------------|-------------|
| Beginning Market Value    | \$7,442,564 |
| Net New Investment        | \$0         |
| Investment Gains/(Losses) | \$909,569   |
| Ending Market Value       | \$8,352,133 |

## Performance vs MF - Micro Cap Obj (Net)

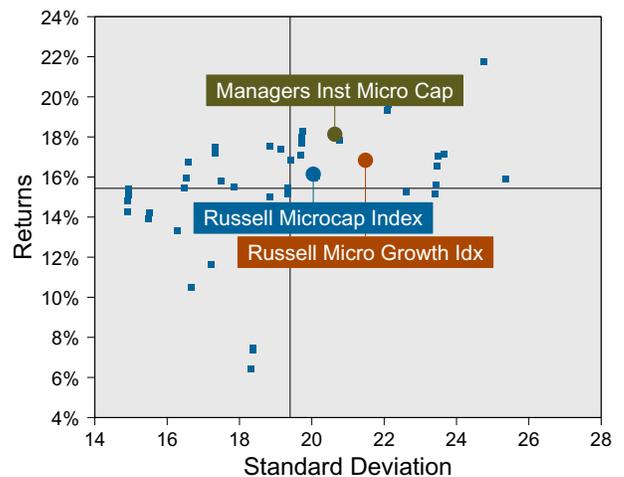


|                          | Last Quarter | Last Year | Last 2 Years | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|--------------------------|--------------|-----------|--------------|--------------|--------------|--------------|---------------|
| 10th Percentile          | 12.23        | 6.82      | 24.54        | 22.62        | 18.17        | 9.18         | 9.68          |
| 25th Percentile          | 10.04        | 2.97      | 22.95        | 21.58        | 17.11        | 8.24         | 7.97          |
| Median                   | 8.48         | (0.19)    | 21.66        | 19.58        | 15.43        | 7.35         | 6.98          |
| 75th Percentile          | 5.45         | (3.54)    | 18.33        | 17.21        | 13.72        | 4.78         | 6.18          |
| 90th Percentile          | 4.41         | (4.75)    | 14.42        | 12.33        | 11.74        | 3.11         | 5.51          |
| Managers Inst Micro Cap  | ● A 12.22    | 2.62      | 26.66        | 22.41        | 18.13        | 8.79         | 7.89          |
| Russell Micro Growth Idx | ■ B 12.91    | 4.30      | 26.26        | 22.45        | 16.84        | 7.67         | 6.38          |
| Russell Microcap Index   | ▲ 11.19      | 3.65      | 22.85        | 21.81        | 16.14        | 7.16         | 5.96          |

## Relative Return vs Russell Microcap Index



## MF - Micro Cap Obj (Net) Annualized Five Year Risk vs Return

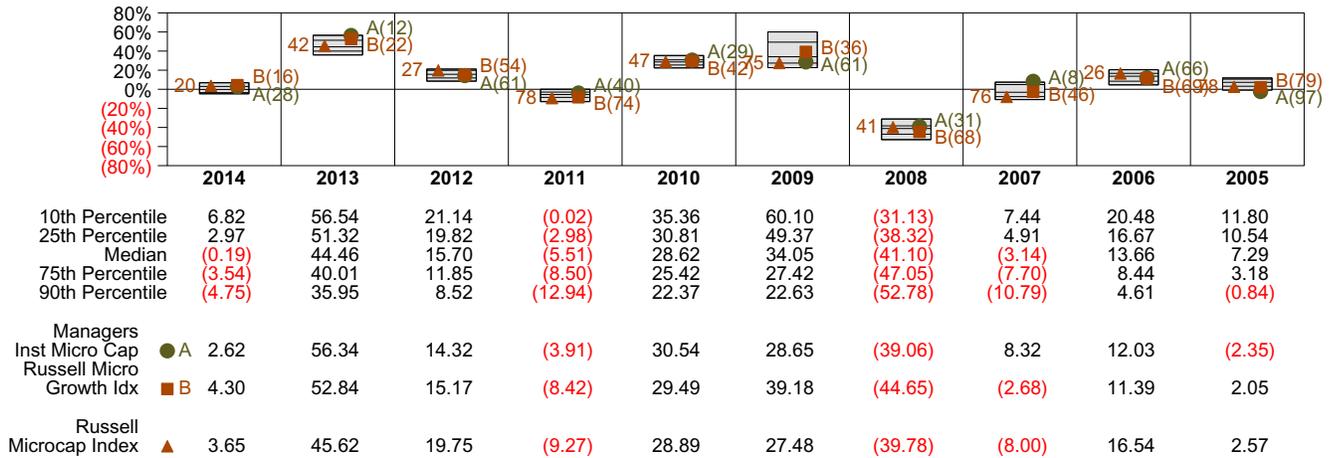


# Managers Inst Micro Cap Return Analysis Summary

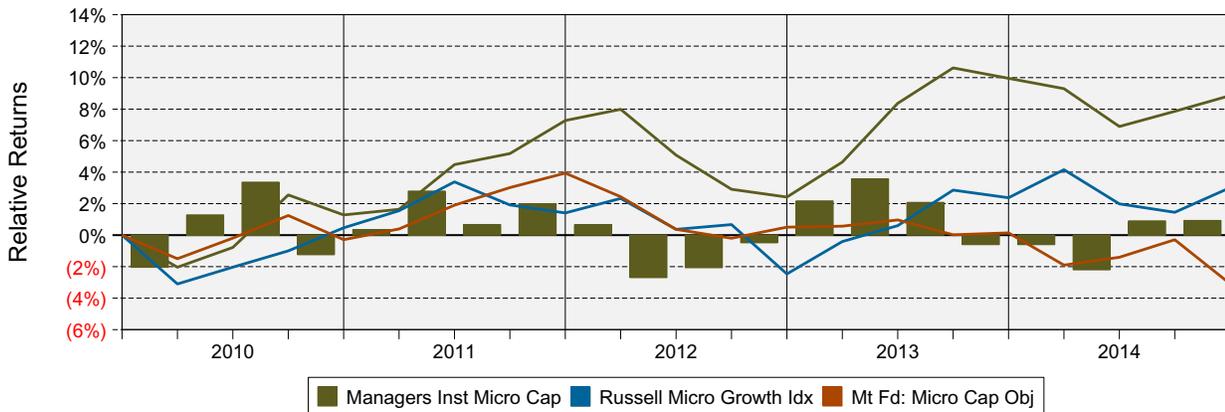
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

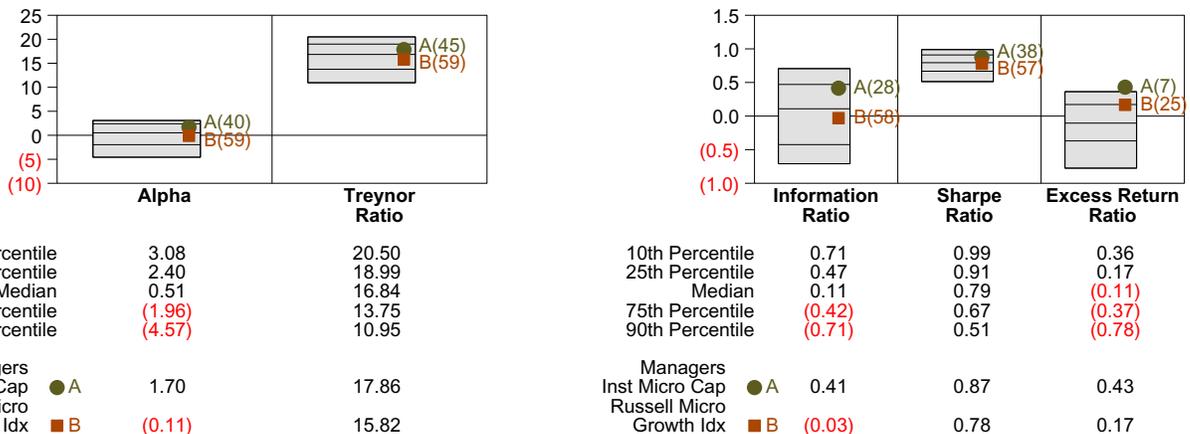
### Performance vs MF - Micro Cap Obj (Net)



### Cumulative and Quarterly Relative Return vs Russell Microcap Index



### Risk Adjusted Return Measures vs Russell Microcap Index Rankings Against MF - Micro Cap Obj (Net) Five Years Ended December 31, 2014

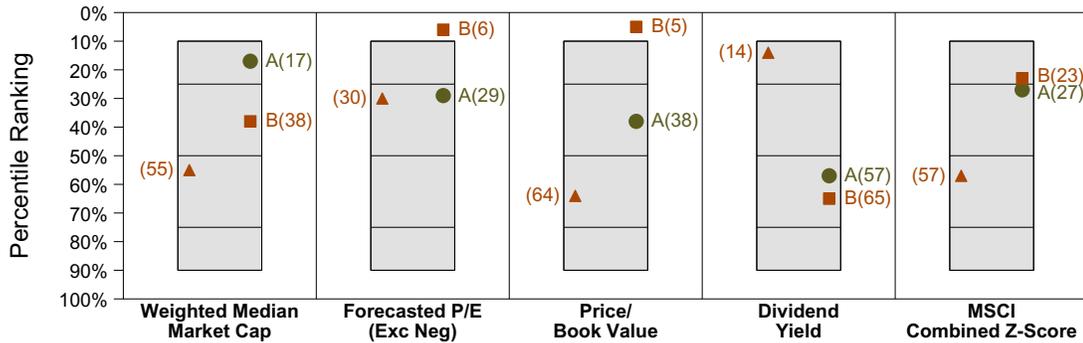


# Managers Inst Micro Cap Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against MF - Micro Cap Obj as of December 31, 2014

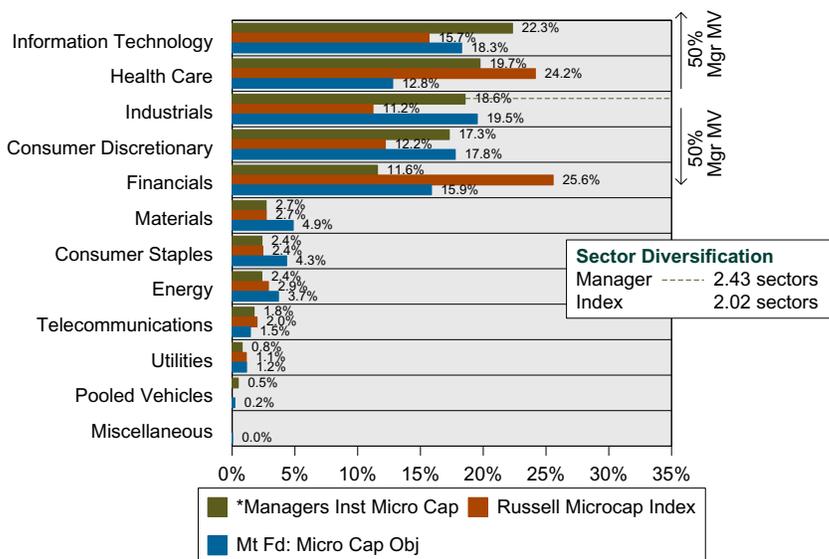


|                          |     |      |       |      |      |      |
|--------------------------|-----|------|-------|------|------|------|
| *Managers Inst Micro Cap | ● A | 0.60 | 24.39 | 2.57 | 0.61 | 0.56 |
| Russell Micro Growth Idx | ■ B | 0.56 | 32.20 | 3.60 | 0.41 | 0.85 |
| Russell Microcap Index   | ▲   | 0.49 | 23.30 | 1.86 | 1.09 | 0.03 |

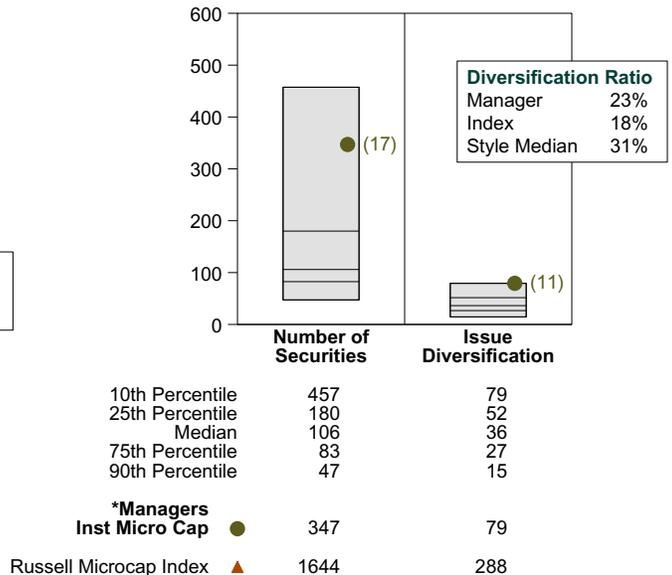
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014



\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.



# International Equity Composite Period Ended December 31, 2014

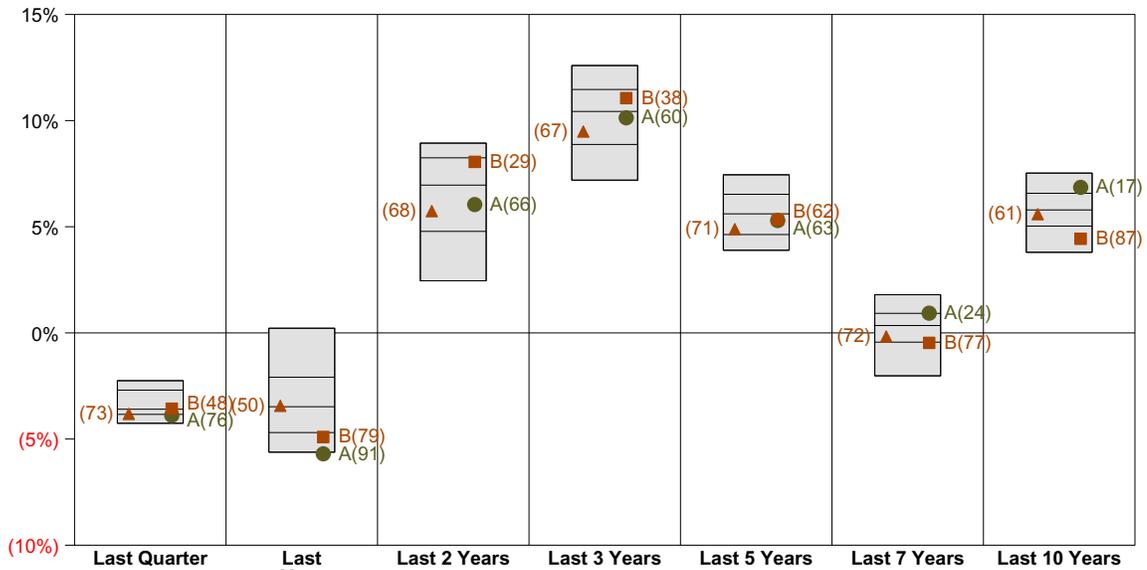
## Quarterly Summary and Highlights

- International Equity Composite's portfolio posted a (3.89)% return for the quarter placing it in the 76 percentile of the Pub Pln- International Equity group for the quarter and in the 91 percentile for the last year.
- International Equity Composite's portfolio underperformed the MSCI ACWI ex US Index by 0.07% for the quarter and underperformed the MSCI ACWI ex US Index for the year by 2.26%.

## Quarterly Asset Growth

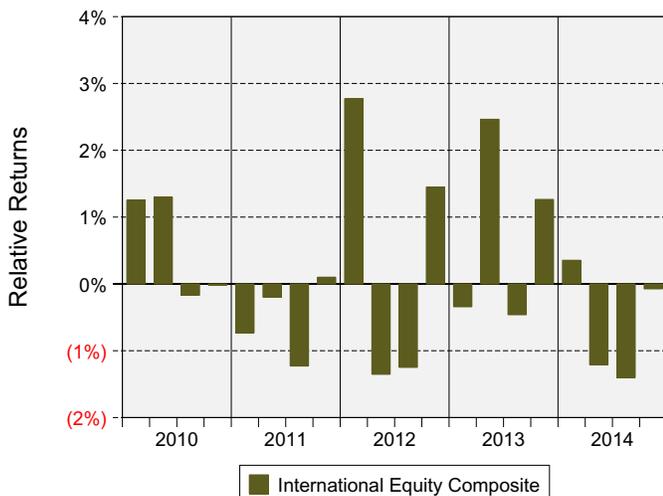
|                           |               |
|---------------------------|---------------|
| Beginning Market Value    | \$106,034,060 |
| Net New Investment        | \$0           |
| Investment Gains/(Losses) | \$-4,121,068  |
| Ending Market Value       | \$101,912,992 |

## Performance vs Pub Pln- International Equity (Gross)

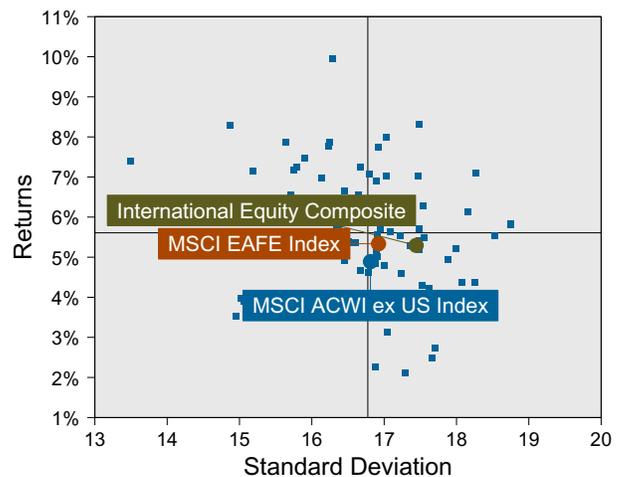


|                                |            |        |      |       |      |        |      |
|--------------------------------|------------|--------|------|-------|------|--------|------|
| 10th Percentile                | (2.25)     | 0.22   | 8.94 | 12.59 | 7.45 | 1.80   | 7.53 |
| 25th Percentile                | (2.70)     | (2.09) | 8.25 | 11.46 | 6.53 | 0.92   | 6.58 |
| Median                         | (3.60)     | (3.48) | 6.96 | 10.43 | 5.61 | 0.35   | 5.79 |
| 75th Percentile                | (3.84)     | (4.70) | 4.78 | 8.88  | 4.63 | (0.44) | 5.03 |
| 90th Percentile                | (4.26)     | (5.62) | 2.45 | 7.19  | 3.89 | (2.02) | 3.79 |
| International Equity Composite | ● A (3.89) | (5.70) | 6.05 | 10.13 | 5.29 | 0.93   | 6.85 |
| MSCI EAFE Index                | ■ B (3.57) | (4.90) | 8.06 | 11.06 | 5.33 | (0.47) | 4.43 |
| MSCI ACWI ex US Index          | ▲ (3.81)   | (3.44) | 5.74 | 9.49  | 4.89 | (0.17) | 5.59 |

## Relative Return vs MSCI ACWI ex US Index



## Pub Pln- International Equity (Gross) Annualized Five Year Risk vs Return

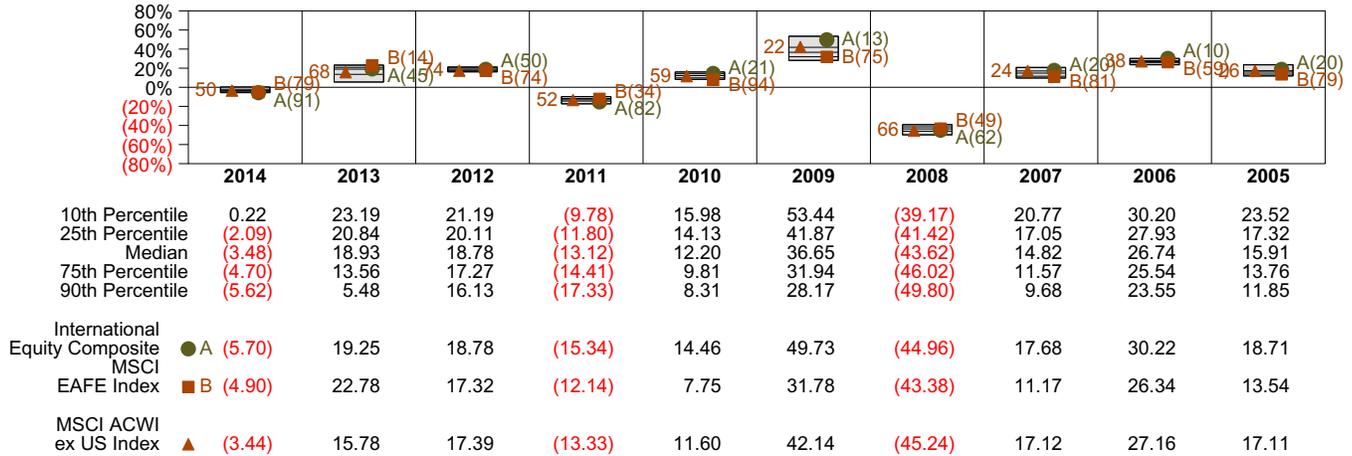


# International Equity Composite Return Analysis Summary

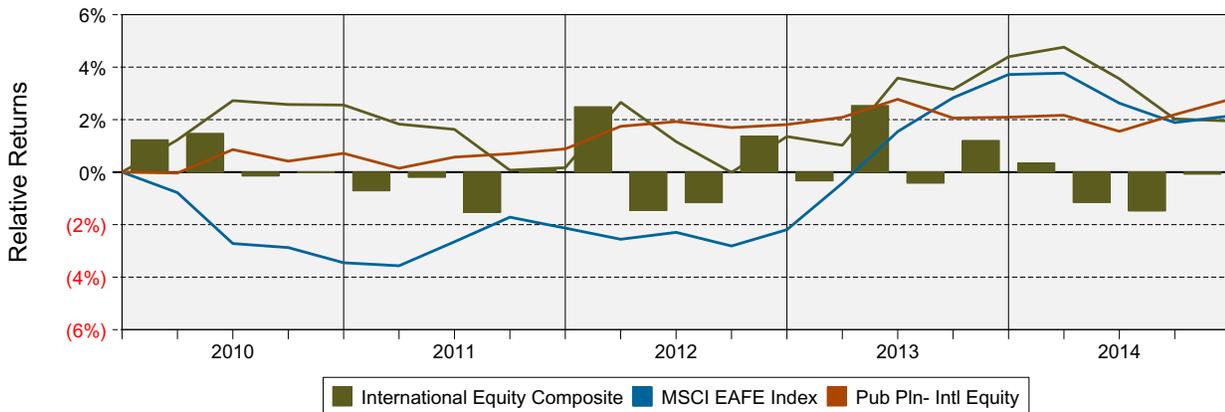
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

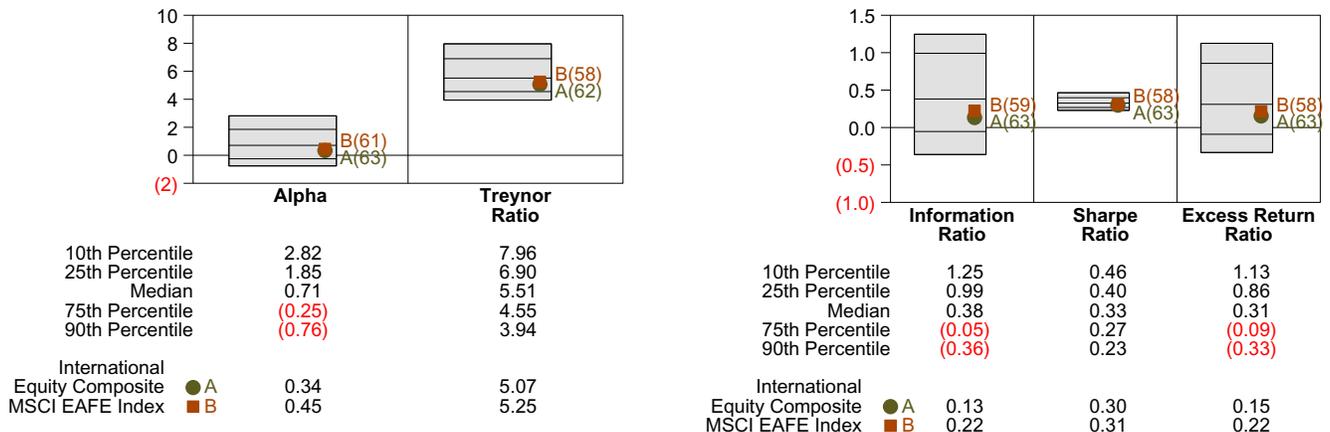
### Performance vs Pub Pln- International Equity (Gross)



### Cumulative and Quarterly Relative Return vs MSCI ACWI ex US Index



### Risk Adjusted Return Measures vs MSCI ACWI ex US Index Rankings Against Pub Pln- International Equity (Gross) Five Years Ended December 31, 2014

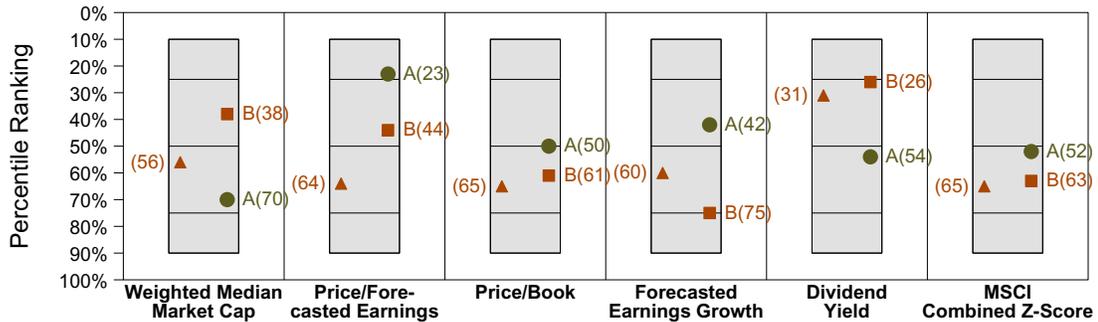


# International Equity Composite Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI Non-U.S. Equity Style as of December 31, 2014

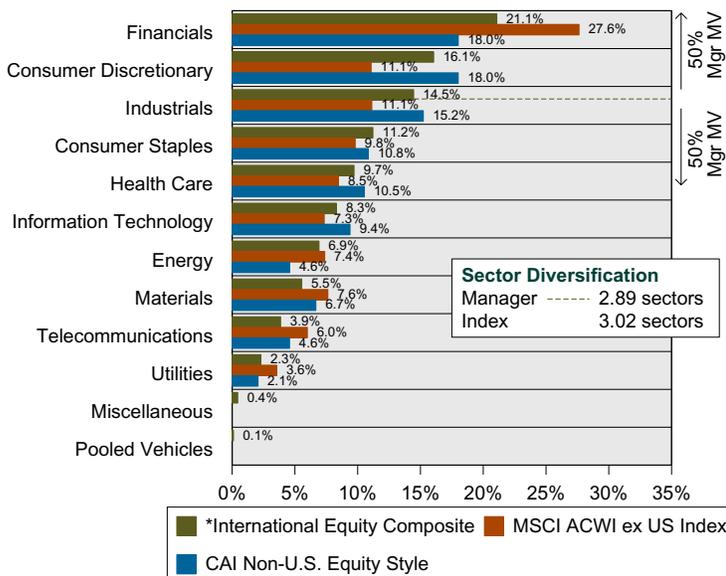


|                                 |           |       |      |       |      |        |
|---------------------------------|-----------|-------|------|-------|------|--------|
| 10th Percentile                 | 46.39     | 16.25 | 2.43 | 13.75 | 3.27 | 0.70   |
| 25th Percentile                 | 40.90     | 14.63 | 2.04 | 12.29 | 2.95 | 0.45   |
| Median                          | 30.07     | 13.89 | 1.72 | 10.71 | 2.54 | 0.13   |
| 75th Percentile                 | 23.18     | 12.78 | 1.47 | 8.93  | 2.21 | (0.14) |
| 90th Percentile                 | 12.34     | 11.92 | 1.20 | 7.87  | 1.95 | (0.42) |
| *International Equity Composite | ● A 24.96 | 14.82 | 1.71 | 11.35 | 2.48 | 0.12   |
| MSCI EAFE Index                 | ■ B 35.17 | 14.14 | 1.65 | 8.94  | 2.94 | 0.01   |
| MSCI ACWI ex US Index           | ▲ 28.50   | 13.39 | 1.64 | 9.97  | 2.86 | (0.00) |

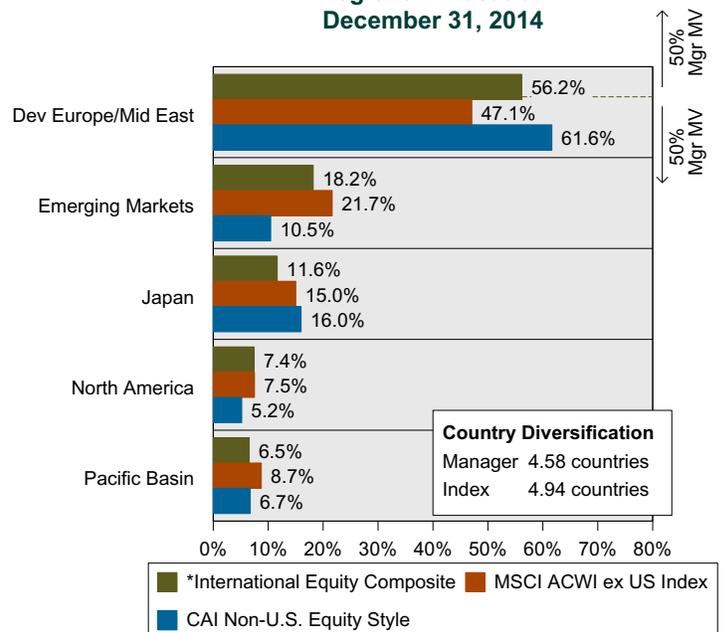
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. The regional allocation chart compares the manager's geographical region weights with those of the benchmark as well as the median region weights of the peer group.

### Sector Allocation December 31, 2014



### Regional Allocation December 31, 2014



\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

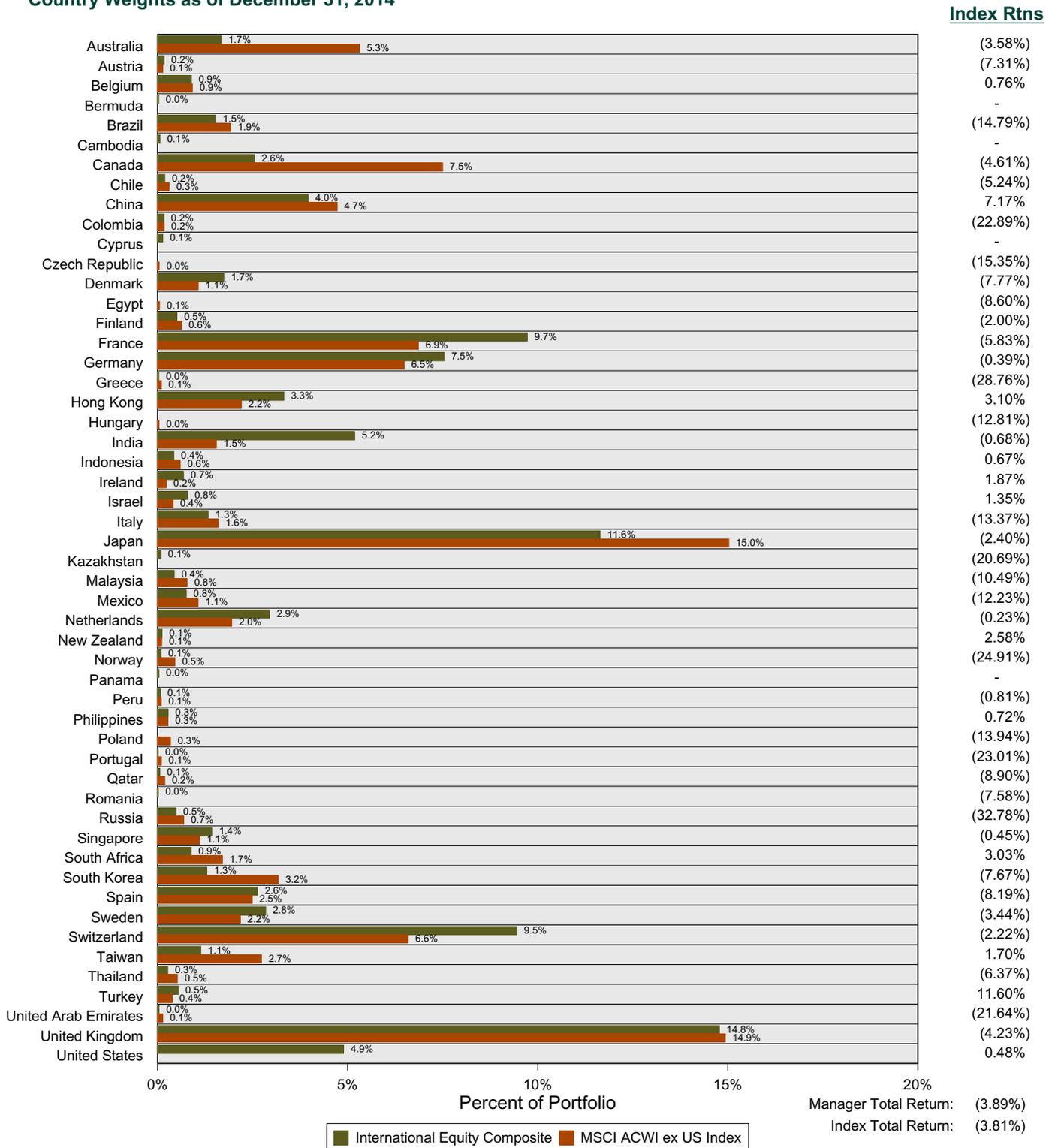
# Country Allocation

## International Equity Composite VS MSCI AC World ex US USD (Gross)

### Country Allocation

The chart below contrasts the portfolio's country allocation with that of the index as of December 31, 2014. This chart is useful because large deviations in country allocation relative to the index are often good predictors of tracking error in the subsequent quarter. To the extent that the portfolio allocation is similar to the index, the portfolio should experience more "index-like" performance. In order to illustrate the performance effect on the portfolio and index of these country allocations, the individual index country returns are also shown.

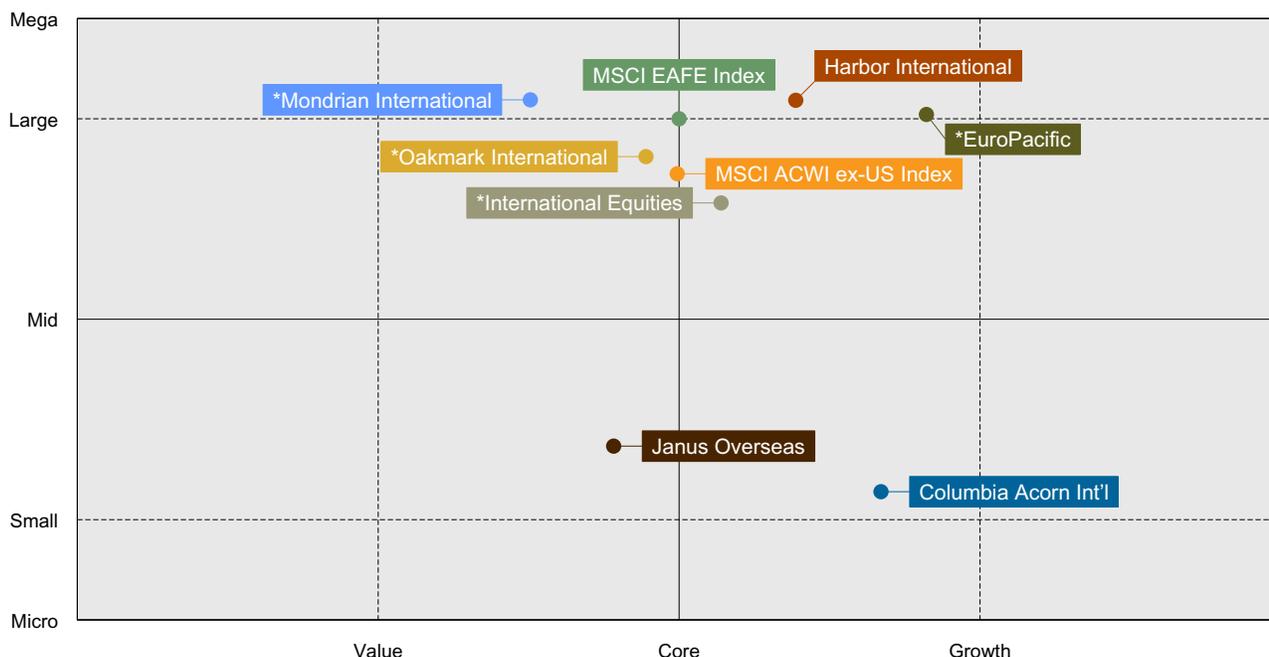
### Country Weights as of December 31, 2014



## International Holdings Based Style Analysis For One Quarter Ended December 31, 2014

This page analyzes and compares the investment styles of multiple portfolios using a detailed holdings-based style analysis methodology. The size component of style is measured by the weighted median market capitalization of the holdings. The value/core/growth style dimension is captured by the "Combined Z-Score" of the portfolio. This score is based on eight fundamental factors used in the MSCI stock style scoring system. The table below gives a more detailed breakdown of several relevant style metrics on the portfolios.

### Style Map Holdings for One Quarter Ended December 31, 2014



|                         | Weight % | Wtd Median Mkt Cap | Combined Z-Score | Growth Z-Score | Value Z-Score | Number of Securities | Security Diversification |
|-------------------------|----------|--------------------|------------------|----------------|---------------|----------------------|--------------------------|
| *EuroPacific            | 19.99%   | 36.89              | 0.67             | 0.31           | (0.37)        | 264                  | 36.55                    |
| Harbor International    | 18.78%   | 42.56              | 0.32             | 0.12           | (0.20)        | 76                   | 21.95                    |
| Columbia Acorn Int'l    | 10.44%   | 3.07               | 0.55             | 0.14           | (0.41)        | 236                  | 70.56                    |
| Janus Overseas          | 15.86%   | 5.12               | (0.18)           | (0.01)         | 0.17          | 65                   | 14.24                    |
| *Oakmark International  | 14.96%   | 30.57              | (0.09)           | (0.02)         | 0.07          | 57                   | 15.16                    |
| *Mondrian International | 19.96%   | 42.74              | (0.42)           | (0.28)         | 0.14          | 133                  | 23.36                    |
| *International Equities | 100.00%  | 24.96              | 0.12             | 0.03           | (0.09)        | 700                  | 82.93                    |
| MSCI EAFE Index         | -        | 35.17              | 0.01             | (0.01)         | (0.01)        | 908                  | 98.17                    |
| MSCI ACWI ex-US Index   | -        | 28.50              | (0.00)           | (0.01)         | (0.01)        | 1837                 | 171.25                   |

\* 12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

# EuroPacific

## Period Ended December 31, 2014

### Investment Philosophy

Capital Group's approach to non-U.S. investing is research-driven. Their bottom-up fundamental approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. The fund uses a "multiple manager" approach where individual portfolio managers, each with different styles, manage separate sleeves of the strategy independently. Sleeves are combined to form the fund. Individual managers are selected so that the aggregate fund adheres to its stated objective of capital appreciation. Switched from Class R-5 Shares to Class R-6 Shares in December 2009.

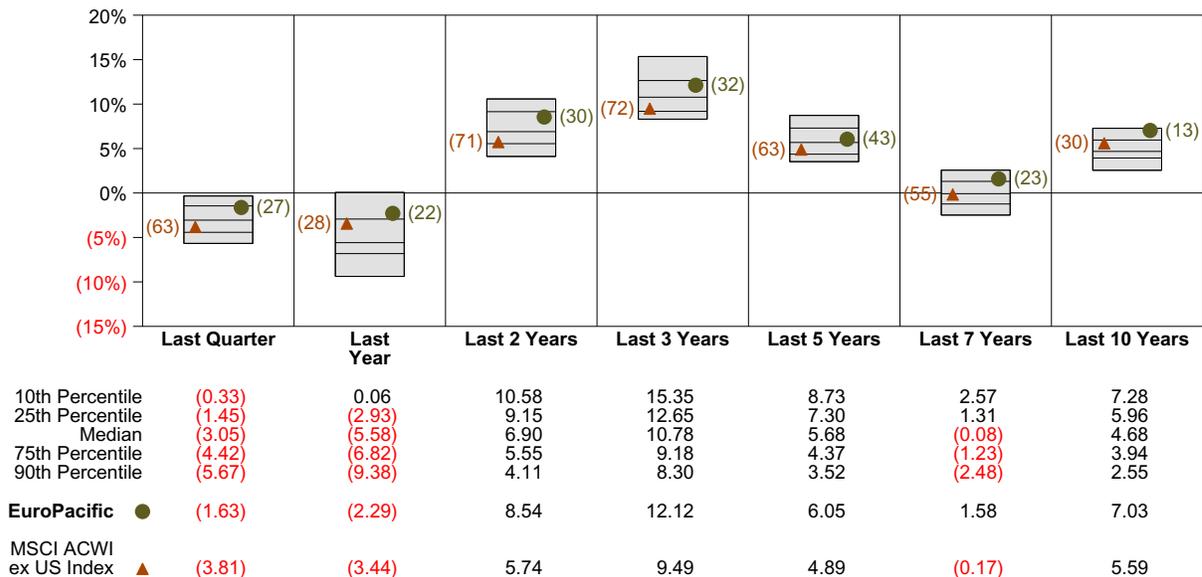
### Quarterly Summary and Highlights

- EuroPacific's portfolio posted a (1.63)% return for the quarter placing it in the 27 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 22 percentile for the last year.
- EuroPacific's portfolio outperformed the MSCI ACWI ex US Index by 2.18% for the quarter and outperformed the MSCI ACWI ex US Index for the year by 1.14%.

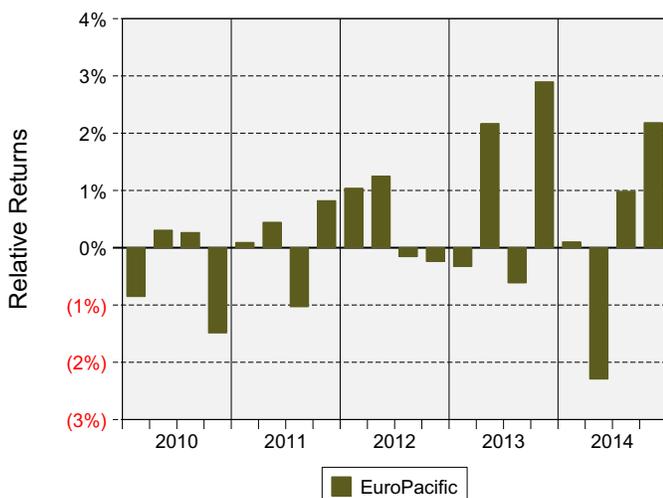
### Quarterly Asset Growth

|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$20,706,220 |
| Net New Investment        | \$0          |
| Investment Gains/(Losses) | \$-337,653   |
| Ending Market Value       | \$20,368,567 |

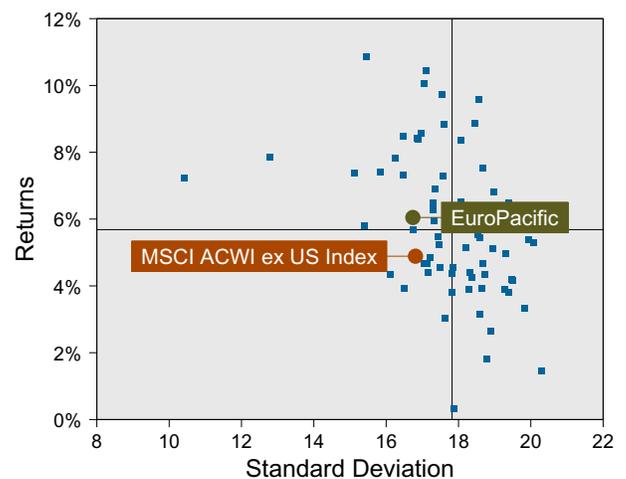
### Performance vs CAI MF - Non-US Equity Style (Net)



### Relative Return vs MSCI ACWI ex US Index



### CAI MF - Non-US Equity Style (Net) Annualized Five Year Risk vs Return

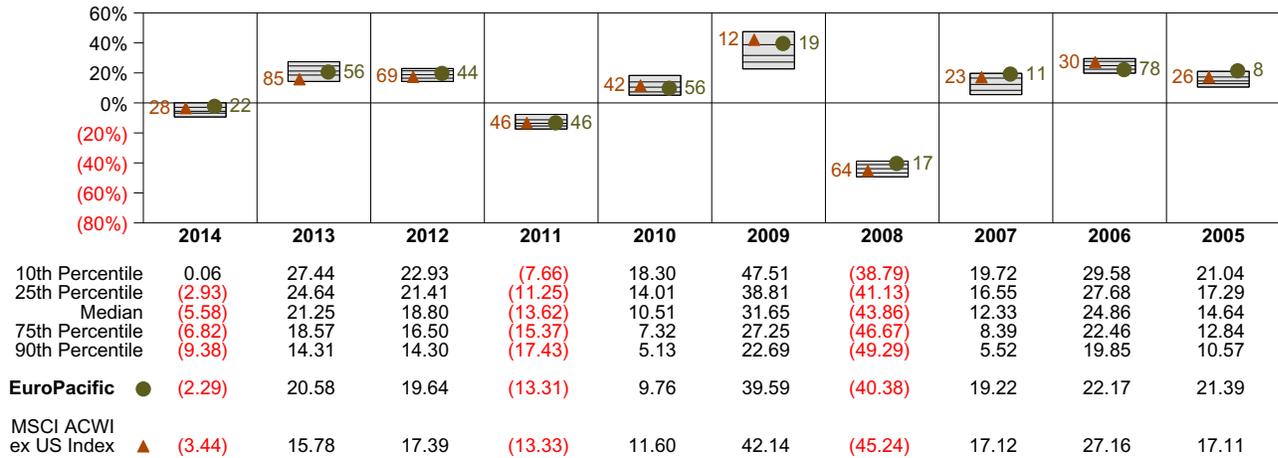


# EuroPacific Return Analysis Summary

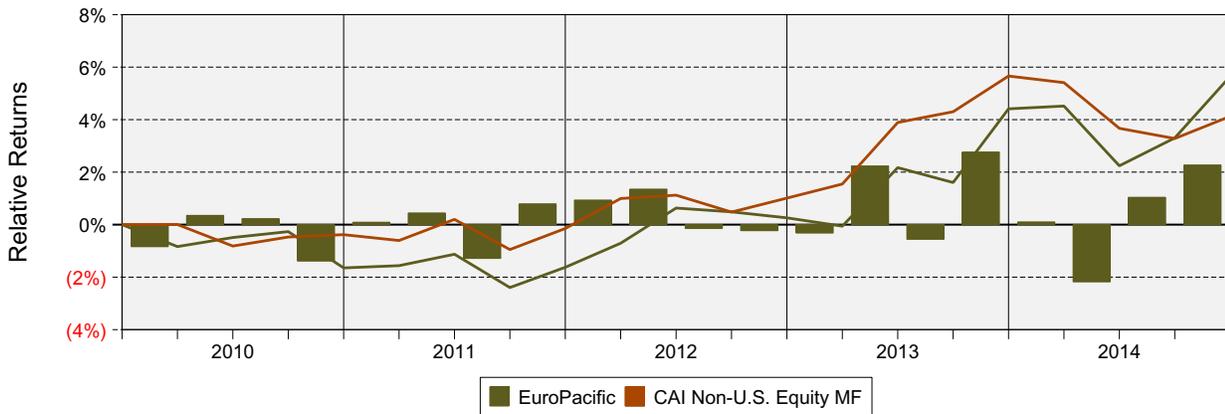
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

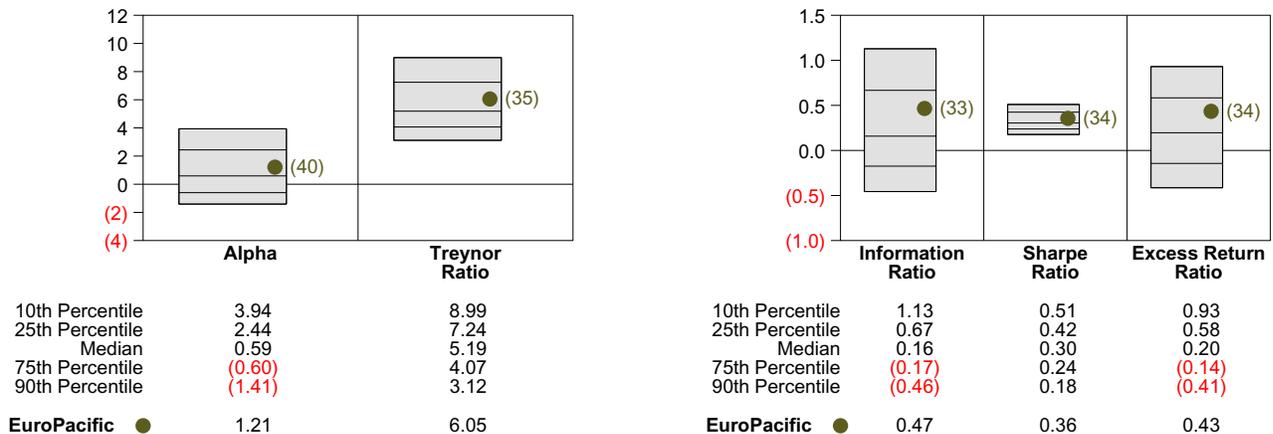
### Performance vs CAI MF - Non-US Equity Style (Net)



### Cumulative and Quarterly Relative Return vs MSCI ACWI ex US Index



### Risk Adjusted Return Measures vs MSCI ACWI ex US Index Rankings Against CAI MF - Non-US Equity Style (Net) Five Years Ended December 31, 2014

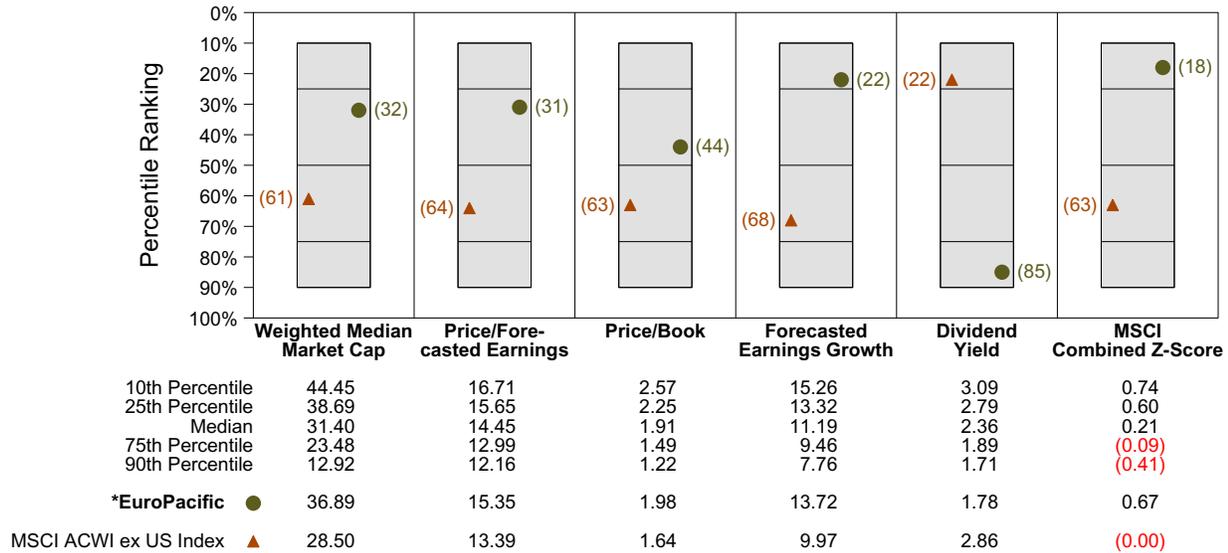


# EuroPacific Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

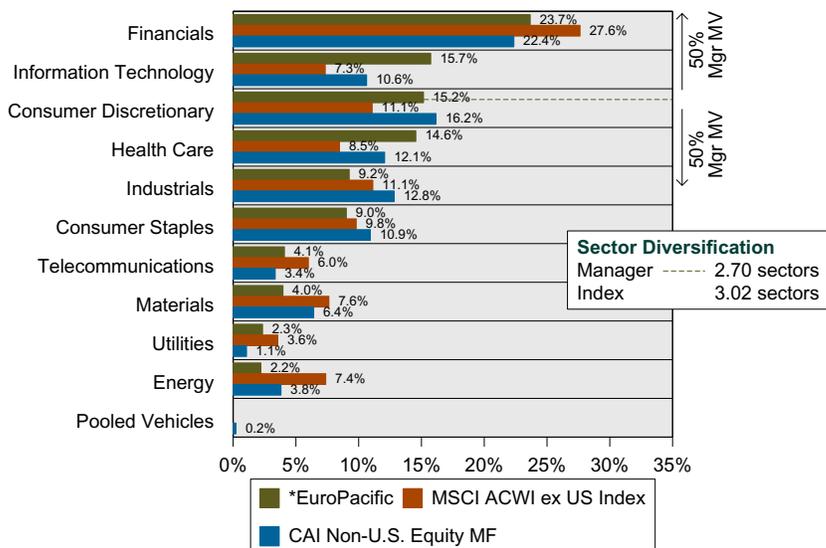
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Non-US Equity Style as of December 31, 2014



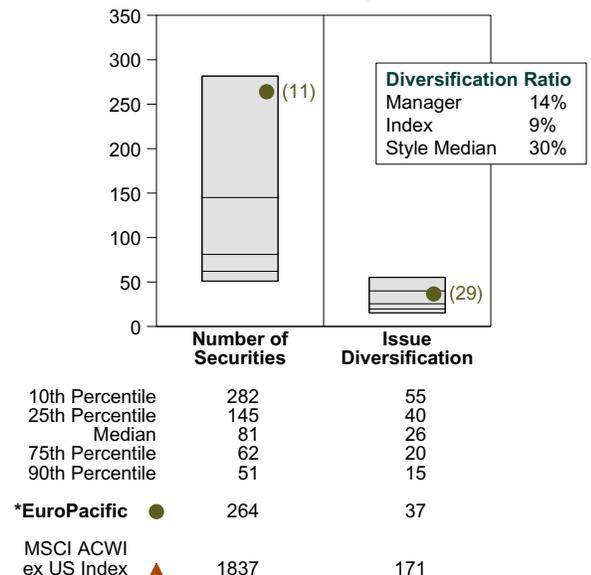
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014

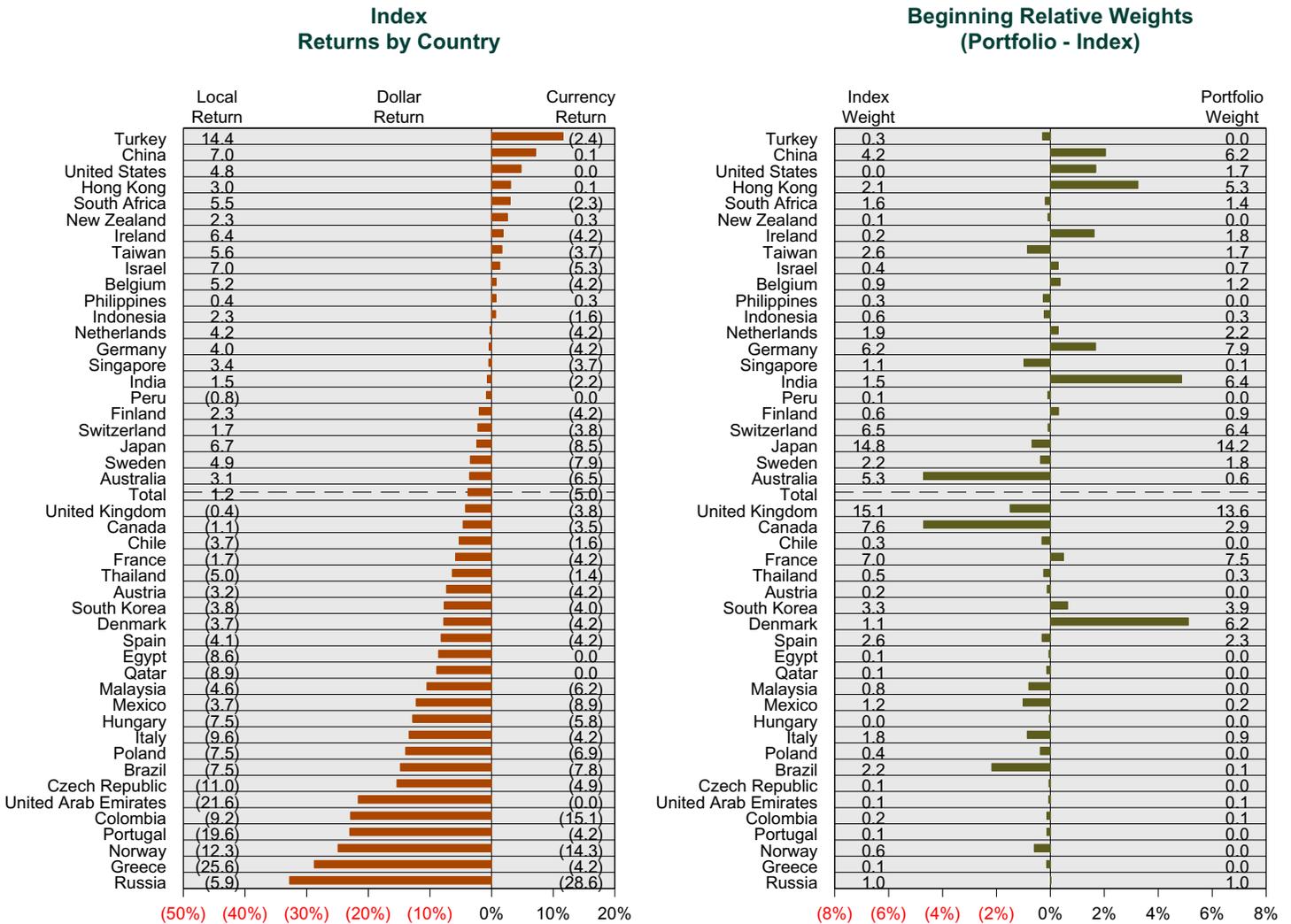


\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

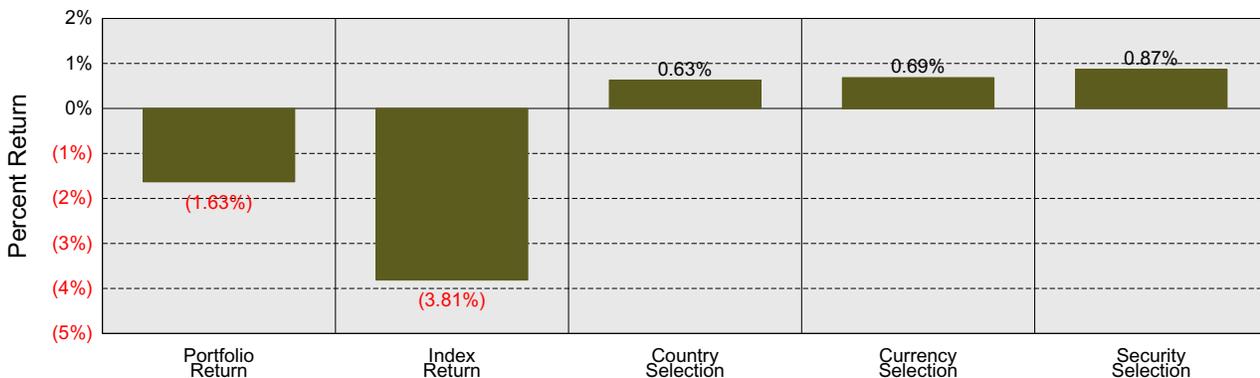
# EuroPacific vs MSCI ACWI ex US Index Attribution for Quarter Ended December 31, 2014

## International Attribution

The first chart below illustrates the return for each country in the index sorted from high to low. The total return for the index is highlighted with a dotted line. The second chart (countries presented in the same order) illustrates the manager's country allocation decisions relative to the index. To the extent that the manager over-weighted a country that had a higher return than the total return for the index (above the dotted line) it contributes positively to the manager's country (or currency) selection effect. The last chart details the manager return, the index return, and the attribution factors for the quarter.



## Attribution Factors for Quarter Ended December 31, 2014



# Harbor International

## Period Ended December 31, 2014

### Investment Philosophy

The Harbor International Fund is sub-advised by Northern Cross, LLC. The investment philosophy focuses on companies with prospects of margin expansion and those that have strong franchise value or asset value. The fund takes a long-term view, expecting to hold a security for 7-10 years. Patient due diligence of companies, countries, and regions are of the utmost importance to the investment process. The team believes this due diligence, in combination with a top down investment theme, provides the best opportunity to invest in truly undervalued companies. The strategy has remained consistent in this philosophy over the past decades of international investment.

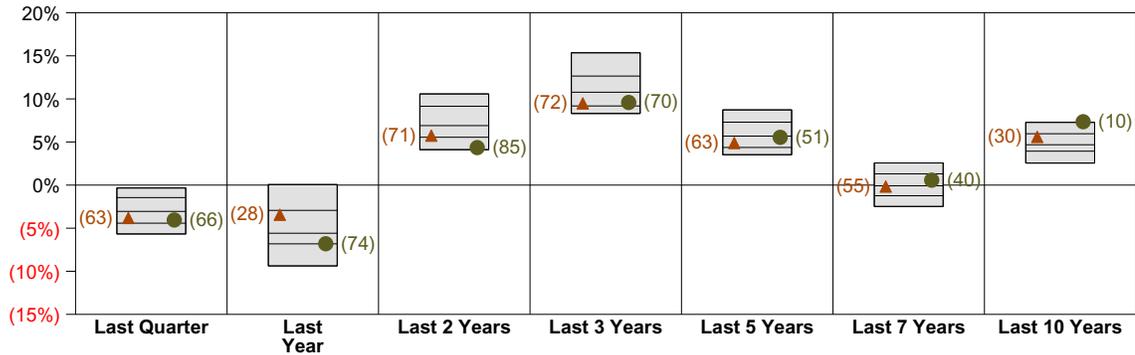
### Quarterly Summary and Highlights

- Harbor International's portfolio posted a (4.05)% return for the quarter placing it in the 66 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 74 percentile for the last year.
- Harbor International's portfolio underperformed the MSCI ACWI ex US Index by 0.24% for the quarter and underperformed the MSCI ACWI ex US Index for the year by 3.37%.

### Quarterly Asset Growth

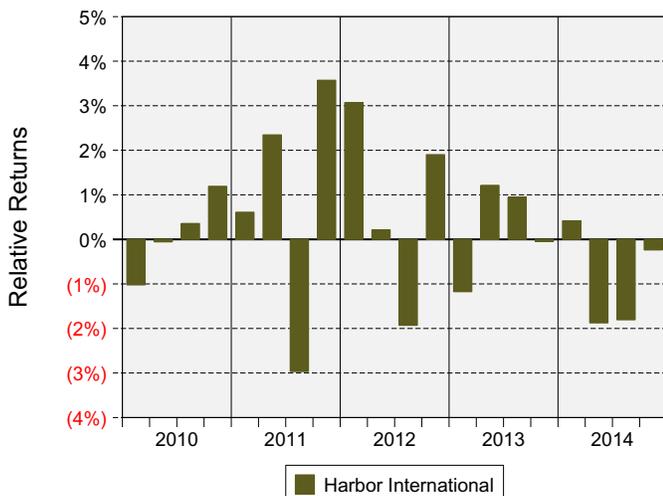
|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$19,950,367 |
| Net New Investment        | \$0          |
| Investment Gains/(Losses) | \$-808,117   |
| Ending Market Value       | \$19,142,251 |

### Performance vs CAI MF - Non-US Equity Style (Net)

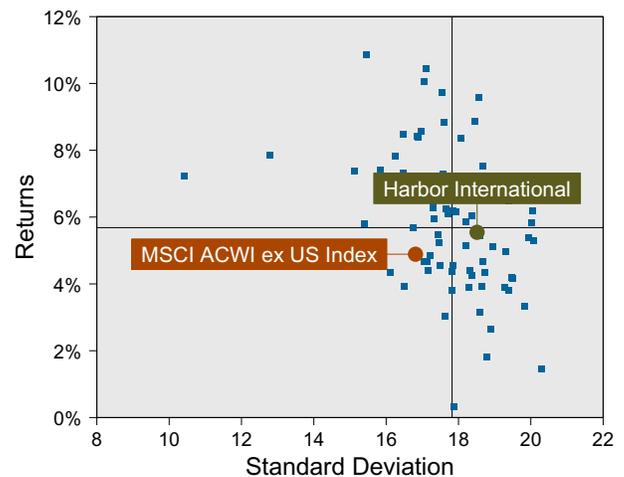


|                             |                 |               |       |       |      |        |      |
|-----------------------------|-----------------|---------------|-------|-------|------|--------|------|
| 10th Percentile             | (0.33)          | 0.06          | 10.58 | 15.35 | 8.73 | 2.57   | 7.28 |
| 25th Percentile             | (1.45)          | (2.93)        | 9.15  | 12.65 | 7.30 | 1.31   | 5.96 |
| Median                      | (3.05)          | (5.58)        | 6.90  | 10.78 | 5.68 | (0.08) | 4.68 |
| 75th Percentile             | (4.42)          | (6.82)        | 5.55  | 9.18  | 4.37 | (1.23) | 3.94 |
| 90th Percentile             | (5.67)          | (9.38)        | 4.11  | 8.30  | 3.52 | (2.48) | 2.55 |
| <b>Harbor International</b> | <b>● (4.05)</b> | <b>(6.81)</b> | 4.35  | 9.59  | 5.54 | 0.57   | 7.35 |
| MSCI ACWI ex US Index       | ▲ (3.81)        | (3.44)        | 5.74  | 9.49  | 4.89 | (0.17) | 5.59 |

### Relative Return vs MSCI ACWI ex US Index



### CAI MF - Non-US Equity Style (Net) Annualized Five Year Risk vs Return

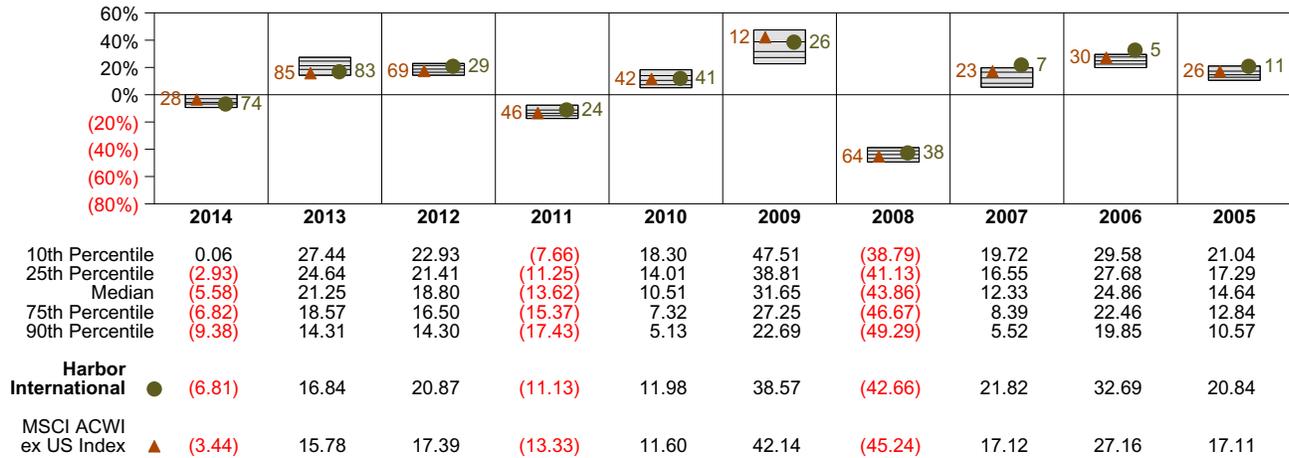


# Harbor International Return Analysis Summary

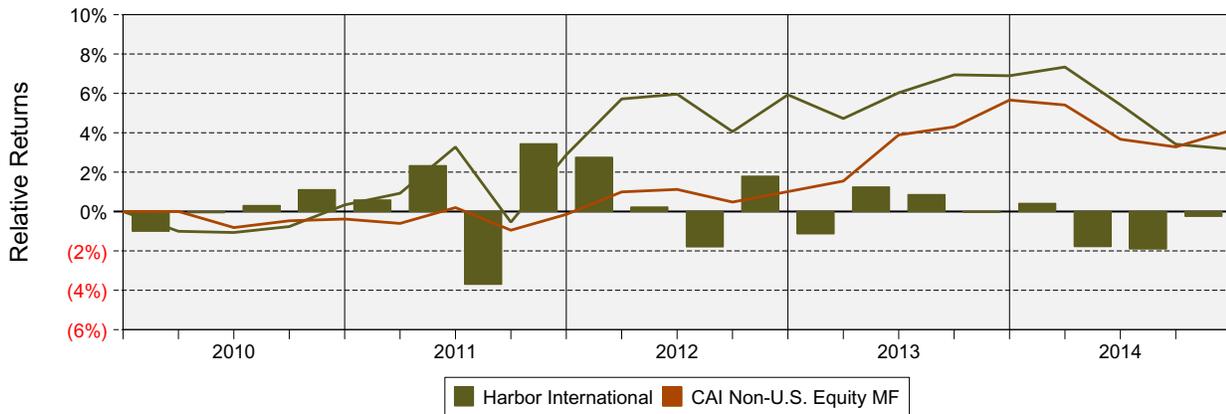
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

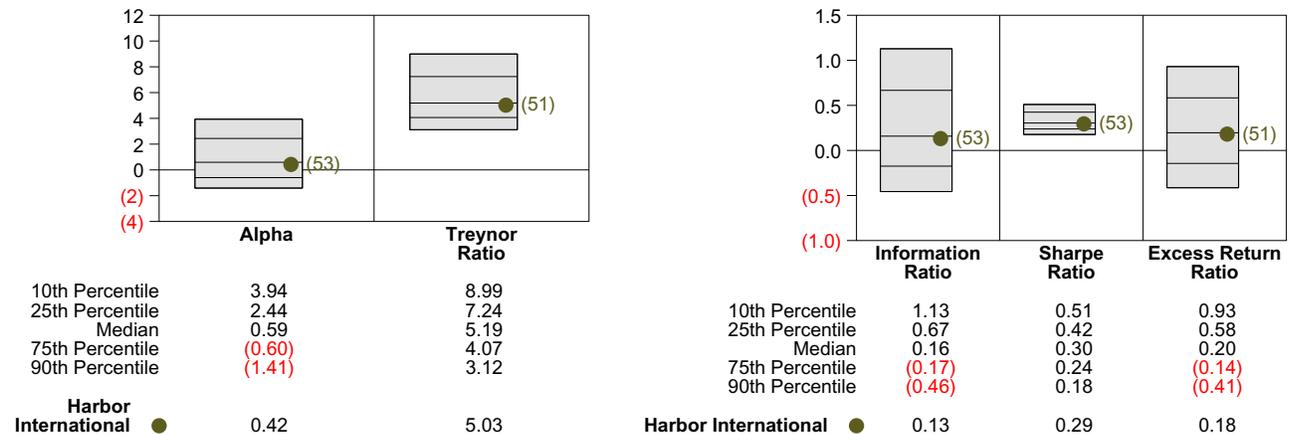
### Performance vs CAI MF - Non-US Equity Style (Net)



### Cumulative and Quarterly Relative Return vs MSCI ACWI ex US Index



### Risk Adjusted Return Measures vs MSCI ACWI ex US Index Rankings Against CAI MF - Non-US Equity Style (Net) Five Years Ended December 31, 2014

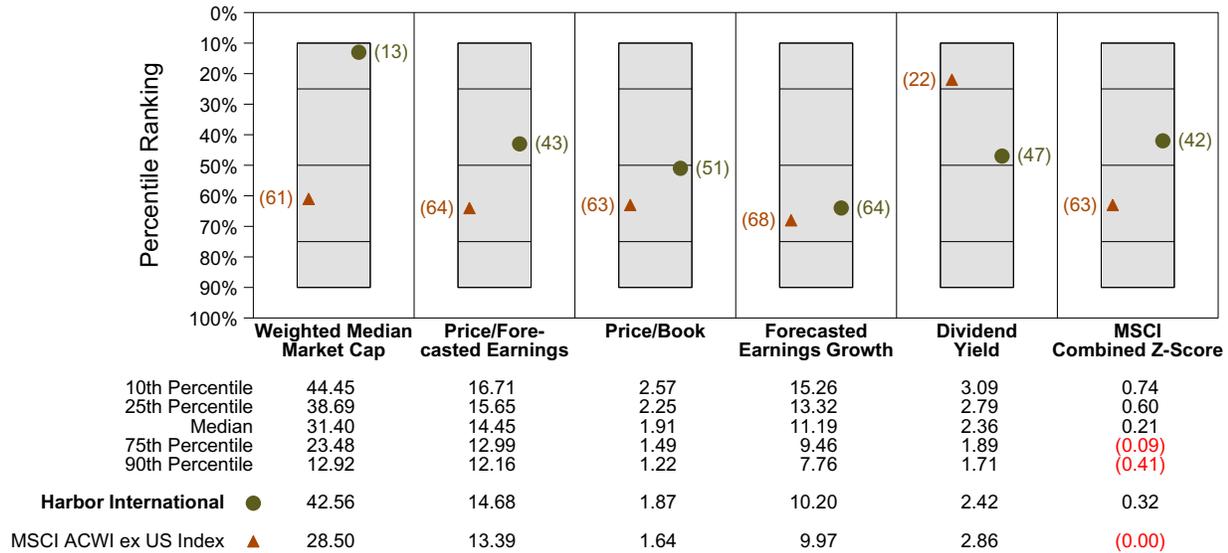


# Harbor International Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

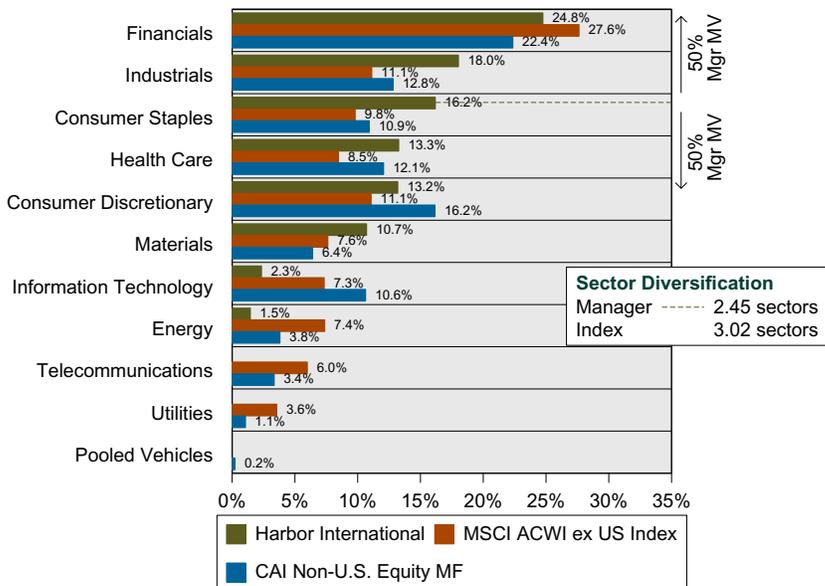
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Non-US Equity Style as of December 31, 2014



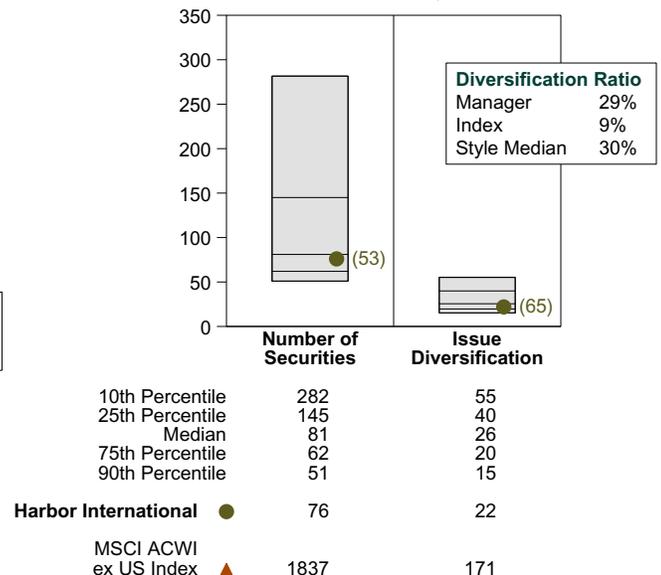
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



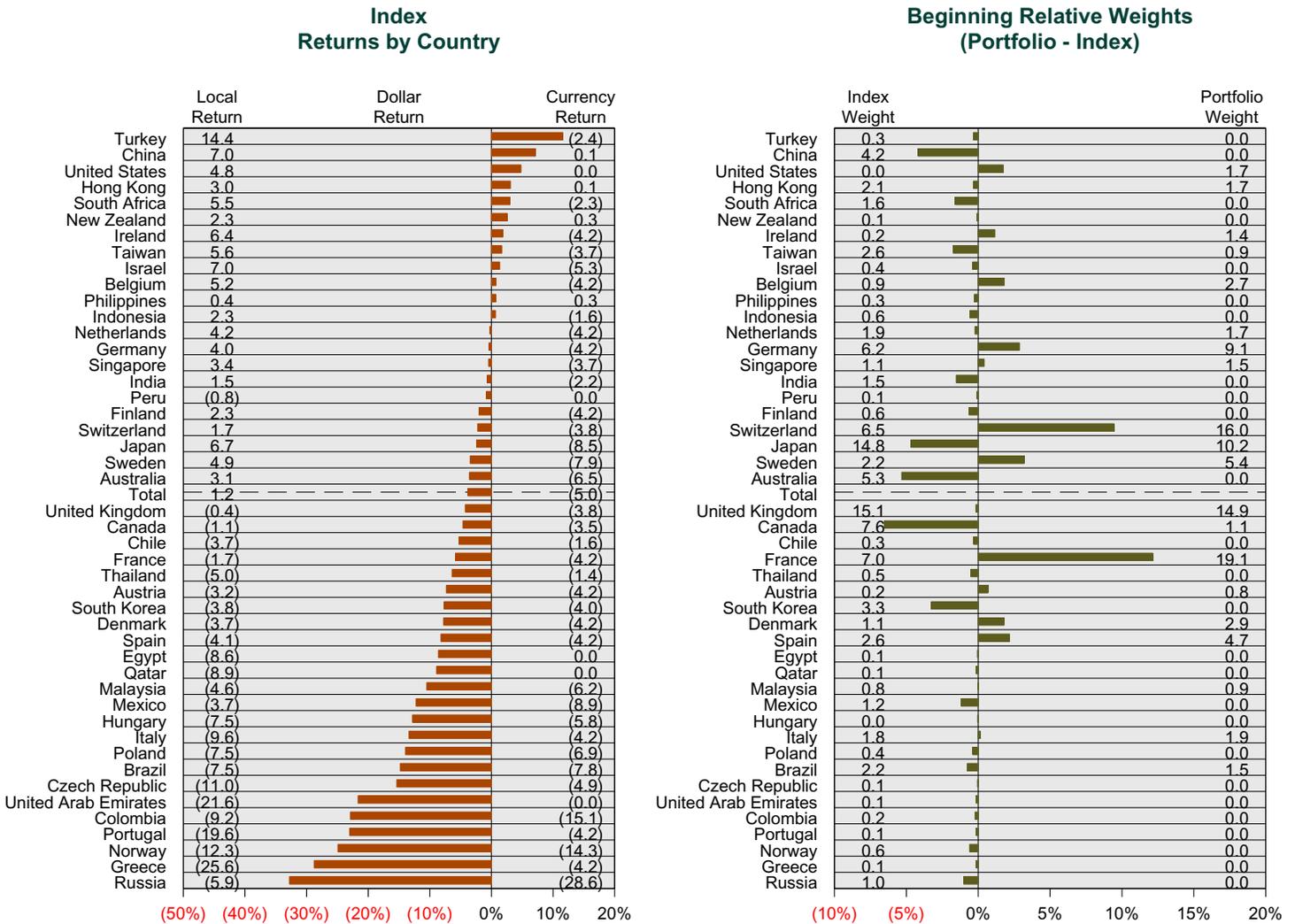
### Diversification December 31, 2014



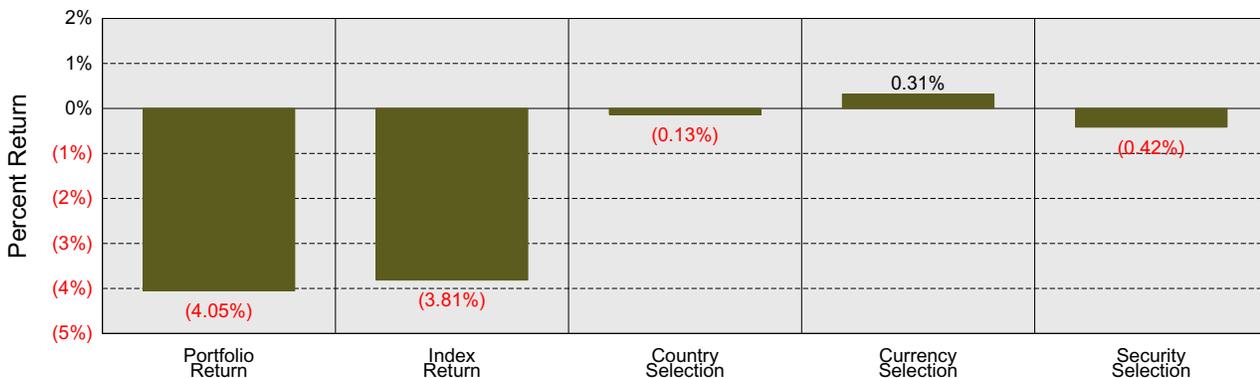
# Harbor International vs MSCI ACWI ex US Index Attribution for Quarter Ended December 31, 2014

## International Attribution

The first chart below illustrates the return for each country in the index sorted from high to low. The total return for the index is highlighted with a dotted line. The second chart (countries presented in the same order) illustrates the manager's country allocation decisions relative to the index. To the extent that the manager over-weighted a country that had a higher return than the total return for the index (above the dotted line) it contributes positively to the manager's country (or currency) selection effect. The last chart details the manager return, the index return, and the attribution factors for the quarter.



## Attribution Factors for Quarter Ended December 31, 2014



# Columbia Acorn Int'l Period Ended December 31, 2014

## Investment Philosophy

Non-U.S. Equity Style mutual funds invest in only non-U.S. equity securities. This style group excludes regional and index funds. Switched from Class Z shares to Class Y shares in February 2014.

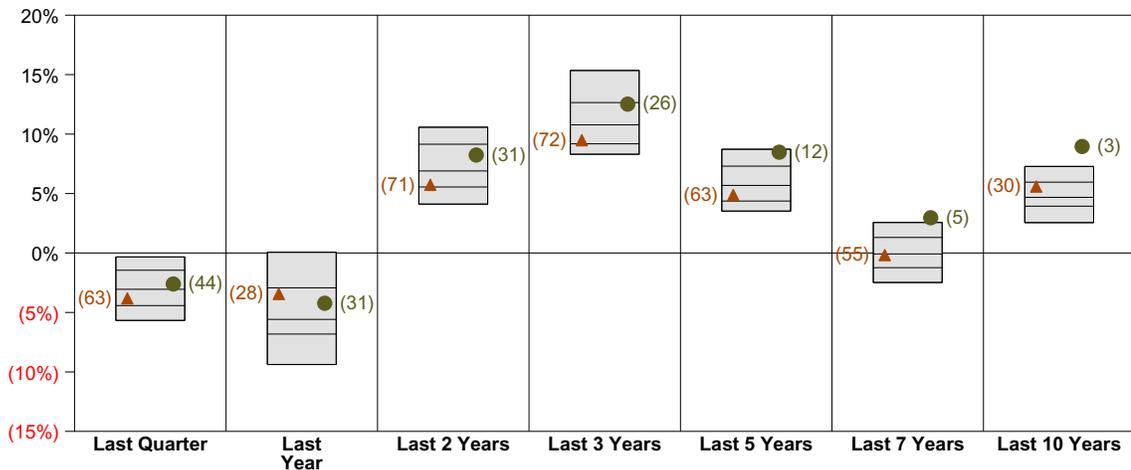
## Quarterly Summary and Highlights

- Columbia Acorn Int'l's portfolio posted a (2.61)% return for the quarter placing it in the 44 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 31 percentile for the last year.
- Columbia Acorn Int'l's portfolio outperformed the MSCI ACWI ex US Index by 1.21% for the quarter and underperformed the MSCI ACWI ex US Index for the year by 0.79%.

## Quarterly Asset Growth

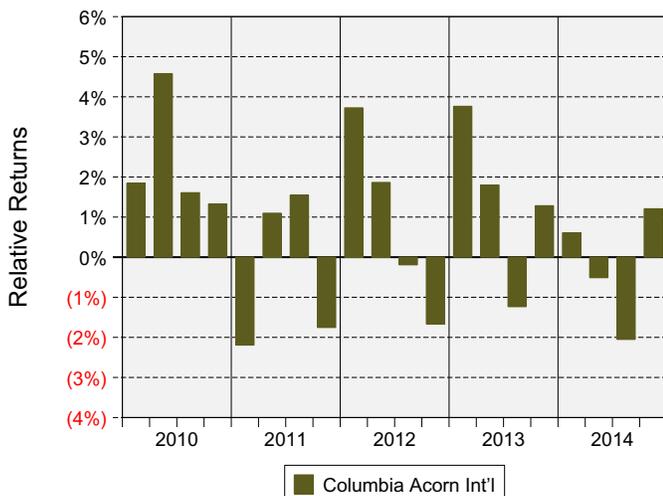
|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$10,923,418 |
| Net New Investment        | \$0          |
| Investment Gains/(Losses) | \$-284,775   |
| Ending Market Value       | \$10,638,643 |

## Performance vs CAI MF - Non-US Equity Style (Net)

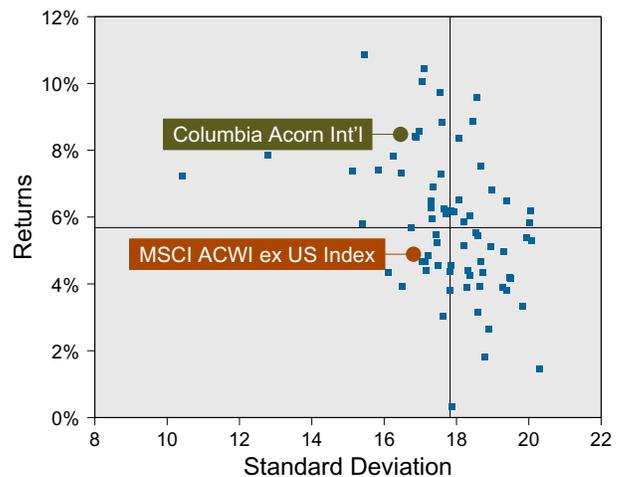


|                              |                 |               |             |              |             |               |             |
|------------------------------|-----------------|---------------|-------------|--------------|-------------|---------------|-------------|
| 10th Percentile              | (0.33)          | 0.06          | 10.58       | 15.35        | 8.73        | 2.57          | 7.28        |
| 25th Percentile              | (1.45)          | (2.93)        | 9.15        | 12.65        | 7.30        | 1.31          | 5.96        |
| Median                       | (3.05)          | (5.58)        | 6.90        | 10.78        | 5.68        | (0.08)        | 4.68        |
| 75th Percentile              | (4.42)          | (6.82)        | 5.55        | 9.18         | 4.37        | (1.23)        | 3.94        |
| 90th Percentile              | (5.67)          | (9.38)        | 4.11        | 8.30         | 3.52        | (2.48)        | 2.55        |
| <b>Columbia Acorn Int'l</b>  | <b>● (2.61)</b> | <b>(4.23)</b> | <b>8.24</b> | <b>12.52</b> | <b>8.48</b> | <b>2.97</b>   | <b>8.96</b> |
| <b>MSCI ACWI ex US Index</b> | <b>▲ (3.81)</b> | <b>(3.44)</b> | <b>5.74</b> | <b>9.49</b>  | <b>4.89</b> | <b>(0.17)</b> | <b>5.59</b> |

## Relative Return vs MSCI ACWI ex US Index



## CAI MF - Non-US Equity Style (Net) Annualized Five Year Risk vs Return

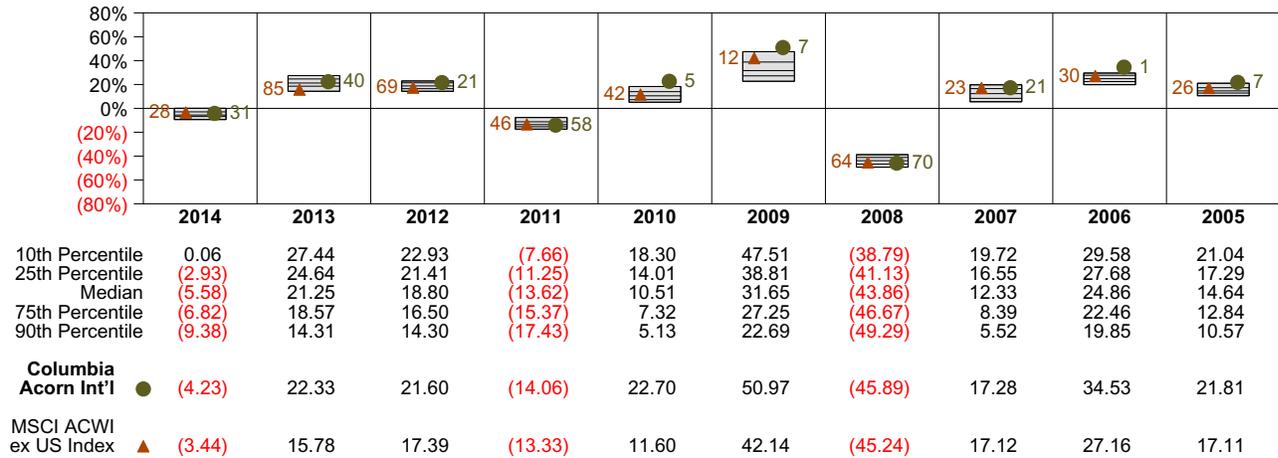


# Columbia Acorn Int'l Return Analysis Summary

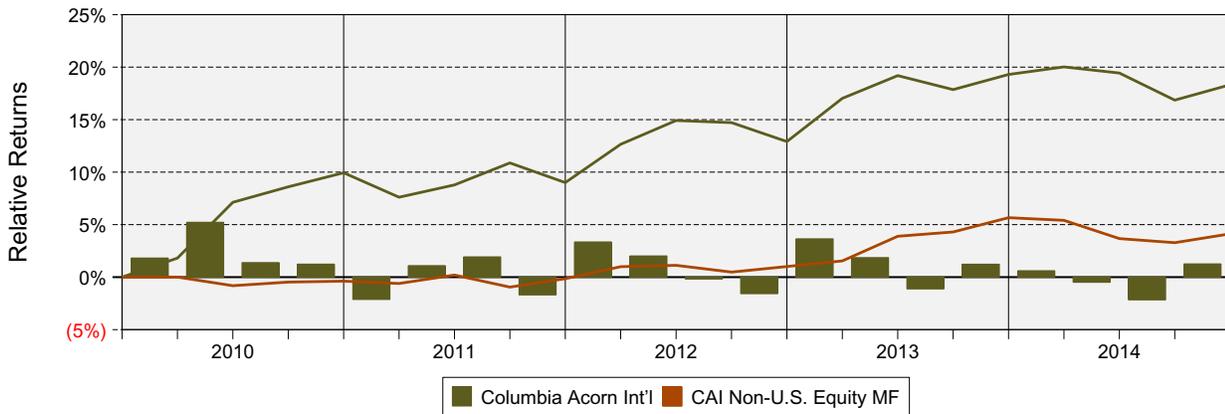
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

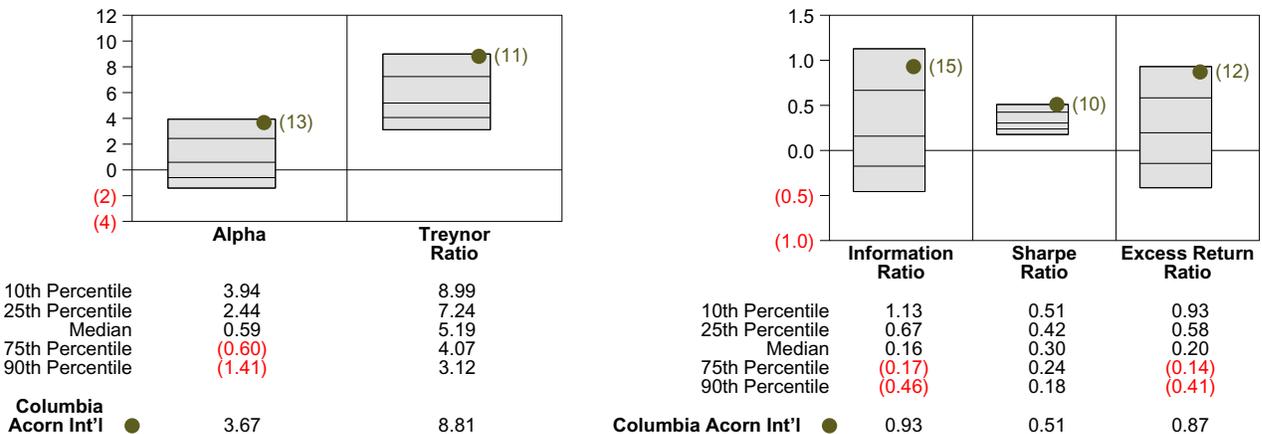
### Performance vs CAI MF - Non-US Equity Style (Net)



### Cumulative and Quarterly Relative Return vs MSCI ACWI ex US Index



### Risk Adjusted Return Measures vs MSCI ACWI ex US Index Rankings Against CAI MF - Non-US Equity Style (Net) Five Years Ended December 31, 2014

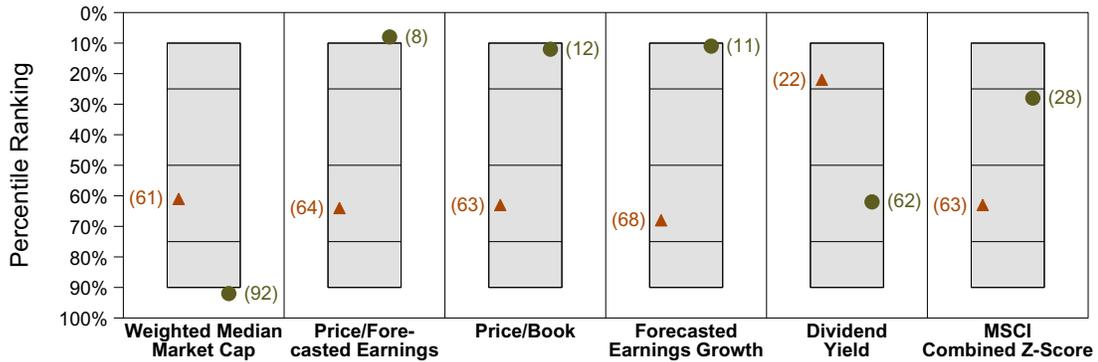


# Columbia Acorn Int'l Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Non-US Equity Style as of December 31, 2014

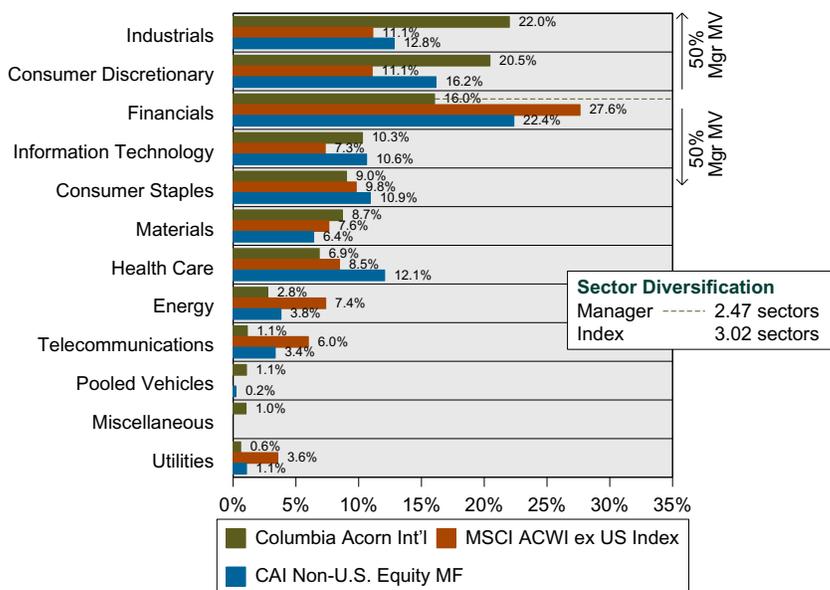


|                               | Weighted Median Market Cap | Price/Forecasted Earnings | Price/Book | Forecasted Earnings Growth | Dividend Yield | MSCI Combined Z-Score |
|-------------------------------|----------------------------|---------------------------|------------|----------------------------|----------------|-----------------------|
| 10th Percentile               | 44.45                      | 16.71                     | 2.57       | 15.26                      | 3.09           | 0.74                  |
| 25th Percentile               | 38.69                      | 15.65                     | 2.25       | 13.32                      | 2.79           | 0.60                  |
| Median                        | 31.40                      | 14.45                     | 1.91       | 11.19                      | 2.36           | 0.21                  |
| 75th Percentile               | 23.48                      | 12.99                     | 1.49       | 9.46                       | 1.89           | (0.09)                |
| 90th Percentile               | 12.92                      | 12.16                     | 1.22       | 7.76                       | 1.71           | (0.41)                |
| <b>Columbia Acorn Int'l</b> ● | 3.07                       | 17.30                     | 2.56       | 14.88                      | 2.15           | 0.55                  |
| MSCI ACWI ex US Index ▲       | 28.50                      | 13.39                     | 1.64       | 9.97                       | 2.86           | (0.00)                |

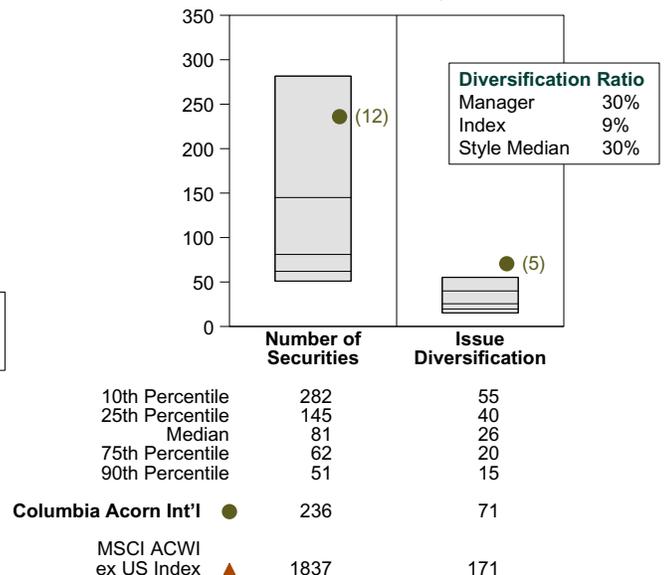
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



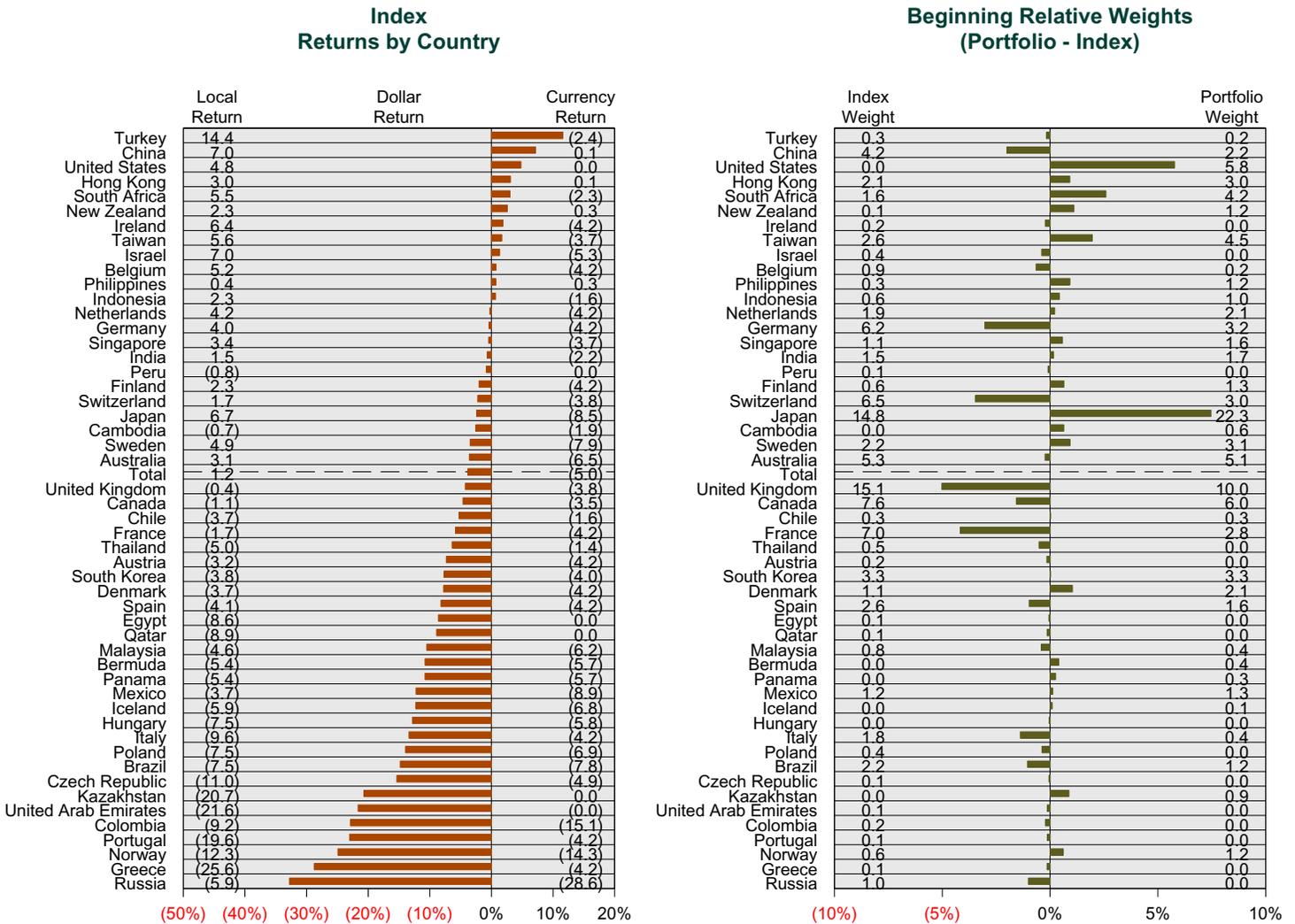
### Diversification December 31, 2014



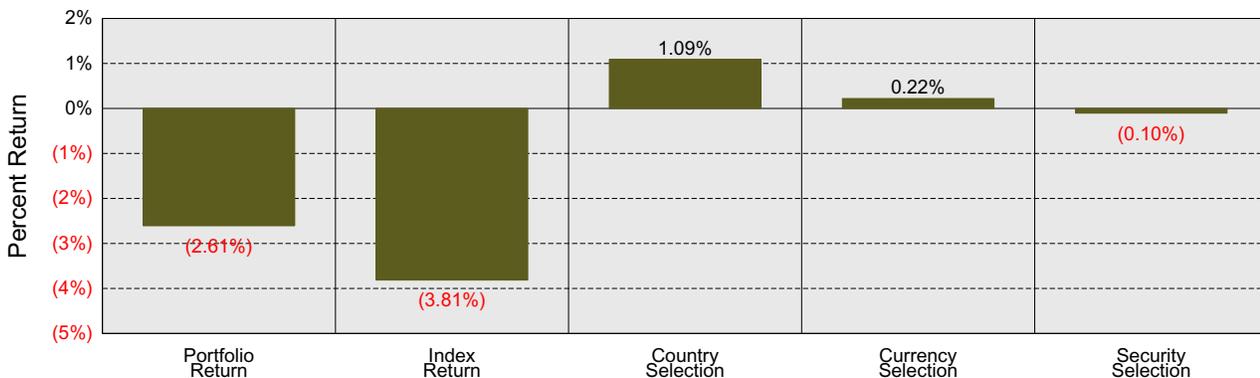
# Columbia Acorn Int'l vs MSCI ACWI ex US Index Attribution for Quarter Ended December 31, 2014

## International Attribution

The first chart below illustrates the return for each country in the index sorted from high to low. The total return for the index is highlighted with a dotted line. The second chart (countries presented in the same order) illustrates the manager's country allocation decisions relative to the index. To the extent that the manager over-weighted a country that had a higher return than the total return for the index (above the dotted line) it contributes positively to the manager's country (or currency) selection effect. The last chart details the manager return, the index return, and the attribution factors for the quarter.



## Attribution Factors for Quarter Ended December 31, 2014



# Janus Overseas

## Period Ended December 31, 2014

### Investment Philosophy

Janus Overseas Fund invests opportunistically. We believe our fundamental research uncovers companies where the market price does not reflect long-term fundamentals. Janus Overseas Strategy \* Focused, high-conviction portfolio \* Seeks attractive growth companies in developed and emerging markets \* Long-term investment approach \* Research driven Switched from Class T Shares to Class I Shares in December 2009.

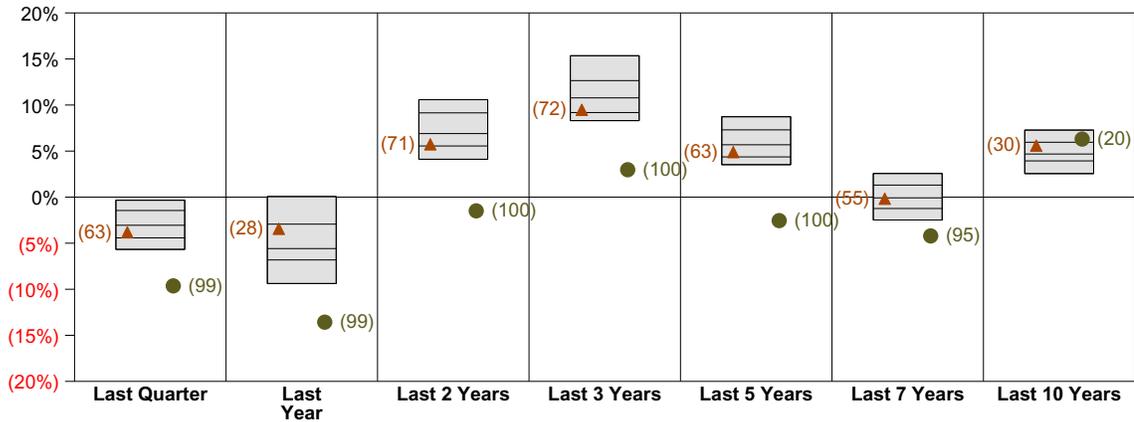
### Quarterly Summary and Highlights

- Janus Overseas's portfolio posted a (9.64)% return for the quarter placing it in the 99 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 99 percentile for the last year.
- Janus Overseas's portfolio underperformed the MSCI ACWI ex US Index by 5.82% for the quarter and underperformed the MSCI ACWI ex US Index for the year by 10.14%.

### Quarterly Asset Growth

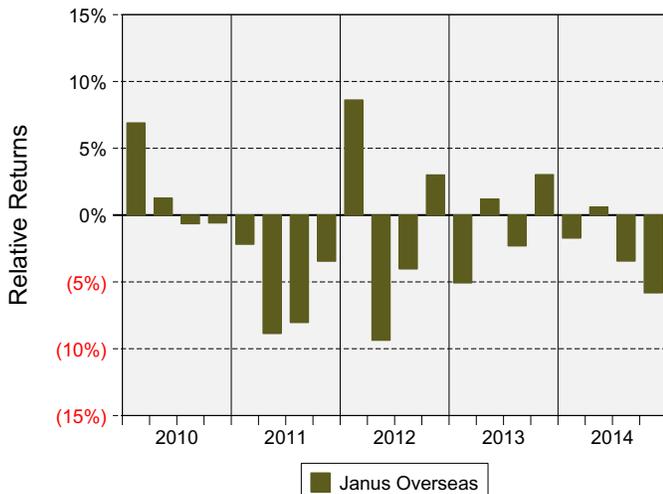
|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$17,890,931 |
| Net New Investment        | \$0          |
| Investment Gains/(Losses) | \$-1,723,875 |
| Ending Market Value       | \$16,167,056 |

### Performance vs CAI MF - Non-US Equity Style (Net)

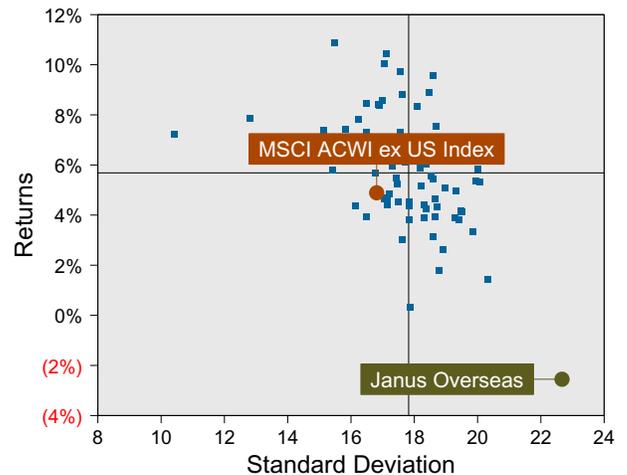


|                                |               |                |               |             |               |               |             |
|--------------------------------|---------------|----------------|---------------|-------------|---------------|---------------|-------------|
| 10th Percentile                | (0.33)        | 0.06           | 10.58         | 15.35       | 8.73          | 2.57          | 7.28        |
| 25th Percentile                | (1.45)        | (2.93)         | 9.15          | 12.65       | 7.30          | 1.31          | 5.96        |
| Median                         | (3.05)        | (5.58)         | 6.90          | 10.78       | 5.68          | (0.08)        | 4.68        |
| 75th Percentile                | (4.42)        | (6.82)         | 5.55          | 9.18        | 4.37          | (1.23)        | 3.94        |
| 90th Percentile                | (5.67)        | (9.38)         | 4.11          | 8.30        | 3.52          | (2.48)        | 2.55        |
| <b>Janus Overseas</b> ●        | <b>(9.64)</b> | <b>(13.57)</b> | <b>(1.49)</b> | <b>2.98</b> | <b>(2.55)</b> | <b>(4.21)</b> | <b>6.30</b> |
| <b>MSCI ACWI ex US Index</b> ▲ | <b>(3.81)</b> | <b>(3.44)</b>  | <b>5.74</b>   | <b>9.49</b> | <b>4.89</b>   | <b>(0.17)</b> | <b>5.59</b> |

### Relative Return vs MSCI ACWI ex US Index



### CAI MF - Non-US Equity Style (Net) Annualized Five Year Risk vs Return

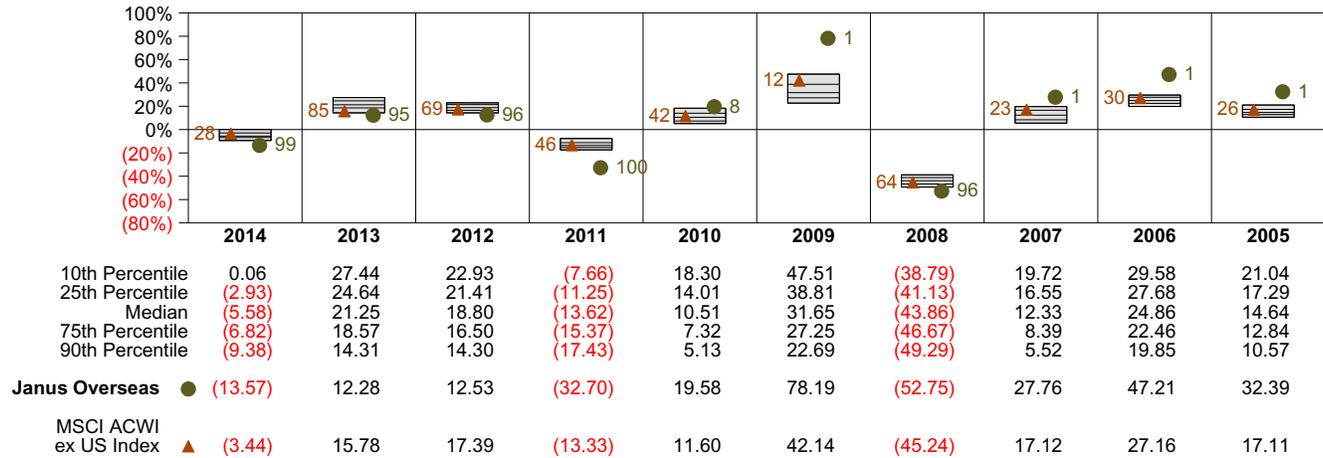


# Janus Overseas Return Analysis Summary

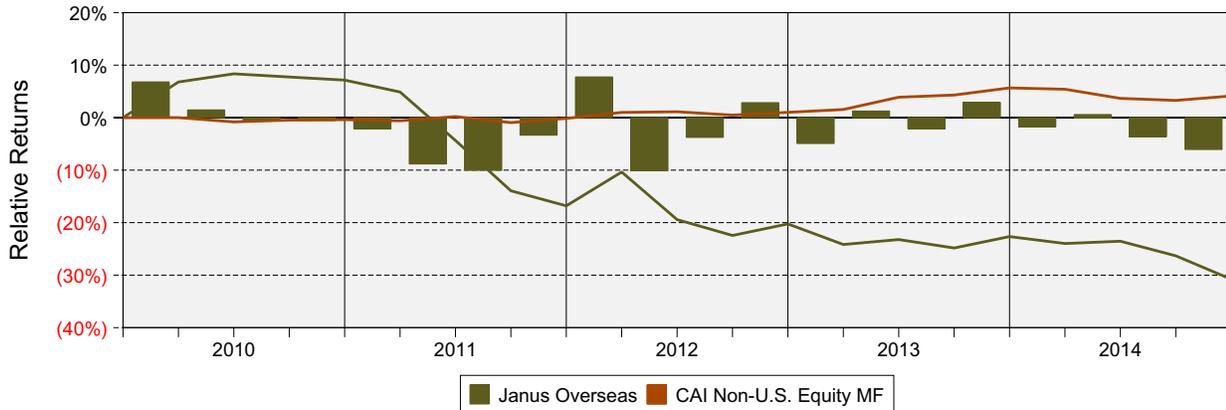
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

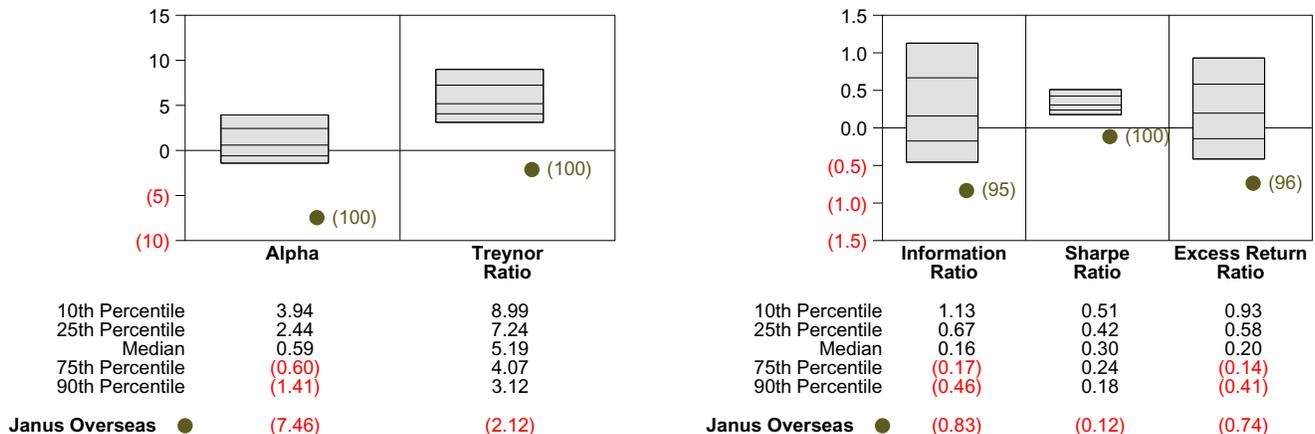
### Performance vs CAI MF - Non-US Equity Style (Net)



### Cumulative and Quarterly Relative Return vs MSCI ACWI ex US Index



### Risk Adjusted Return Measures vs MSCI ACWI ex US Index Rankings Against CAI MF - Non-US Equity Style (Net) Five Years Ended December 31, 2014

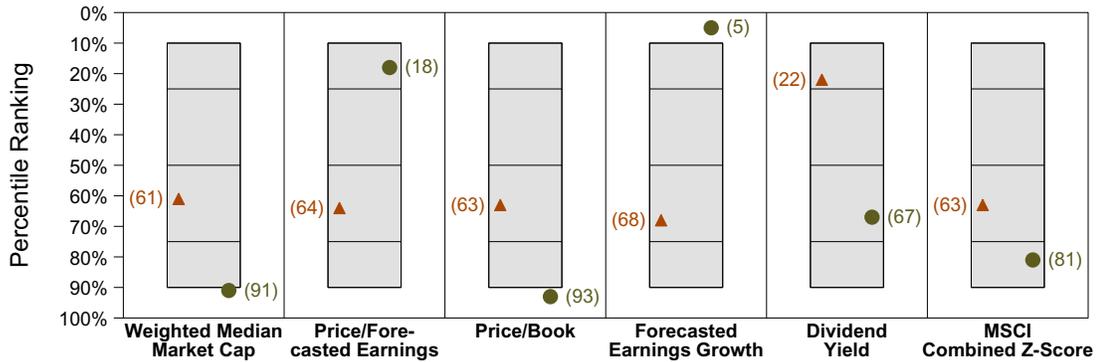


# Janus Overseas Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Non-US Equity Style as of December 31, 2014

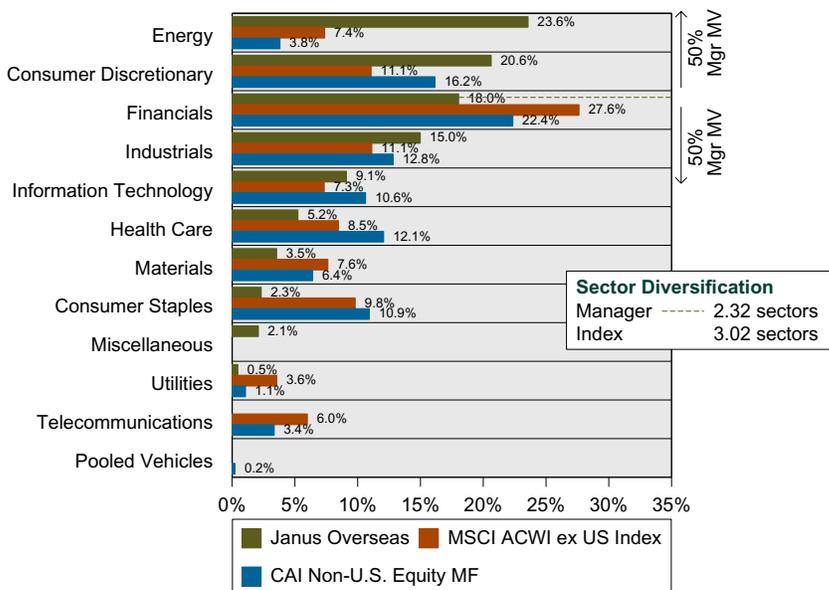


|                         | Weighted Median Market Cap | Price/Forecasted Earnings | Price/Book | Forecasted Earnings Growth | Dividend Yield | MSCI Combined Z-Score |
|-------------------------|----------------------------|---------------------------|------------|----------------------------|----------------|-----------------------|
| 10th Percentile         | 44.45                      | 16.71                     | 2.57       | 15.26                      | 3.09           | 0.74                  |
| 25th Percentile         | 38.69                      | 15.65                     | 2.25       | 13.32                      | 2.79           | 0.60                  |
| Median                  | 31.40                      | 14.45                     | 1.91       | 11.19                      | 2.36           | 0.21                  |
| 75th Percentile         | 23.48                      | 12.99                     | 1.49       | 9.46                       | 1.89           | (0.09)                |
| 90th Percentile         | 12.92                      | 12.16                     | 1.22       | 7.76                       | 1.71           | (0.41)                |
| <b>Janus Overseas</b> ● | 5.12                       | 16.18                     | 1.15       | 16.27                      | 2.03           | (0.18)                |
| MSCI ACWI ex US Index ▲ | 28.50                      | 13.39                     | 1.64       | 9.97                       | 2.86           | (0.00)                |

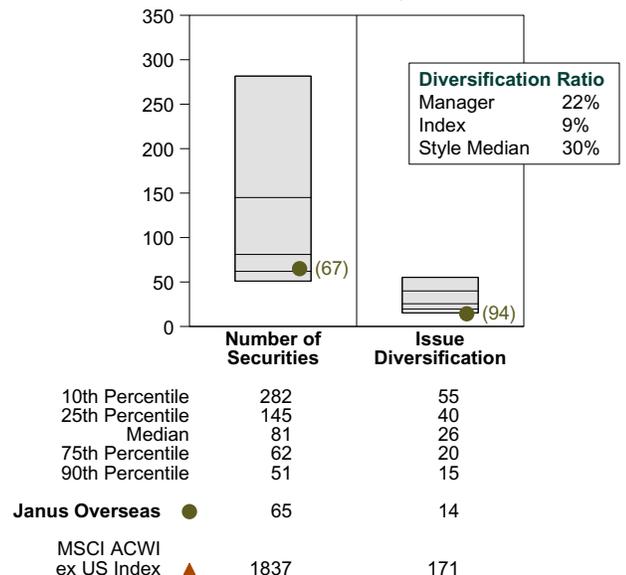
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



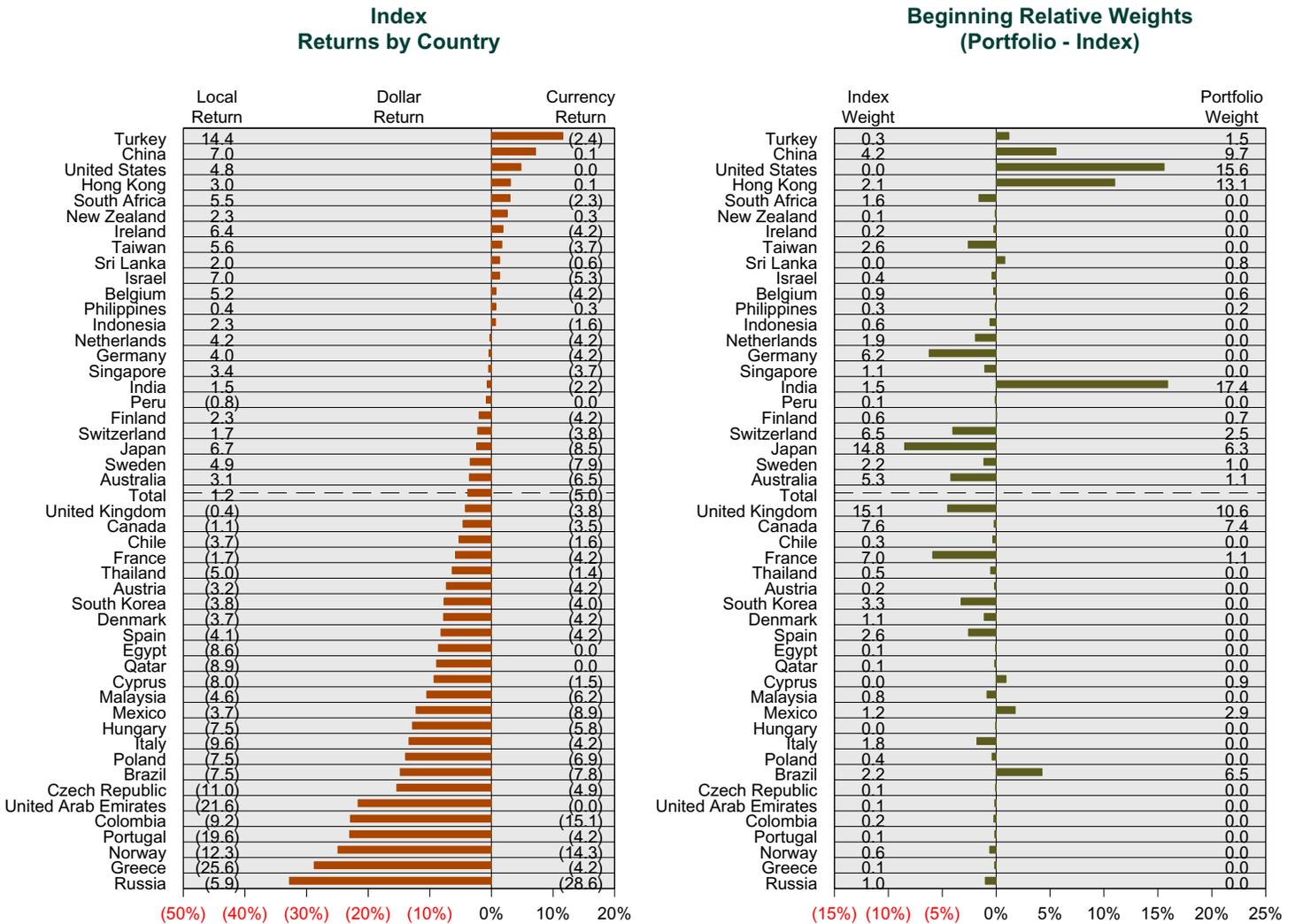
### Diversification December 31, 2014



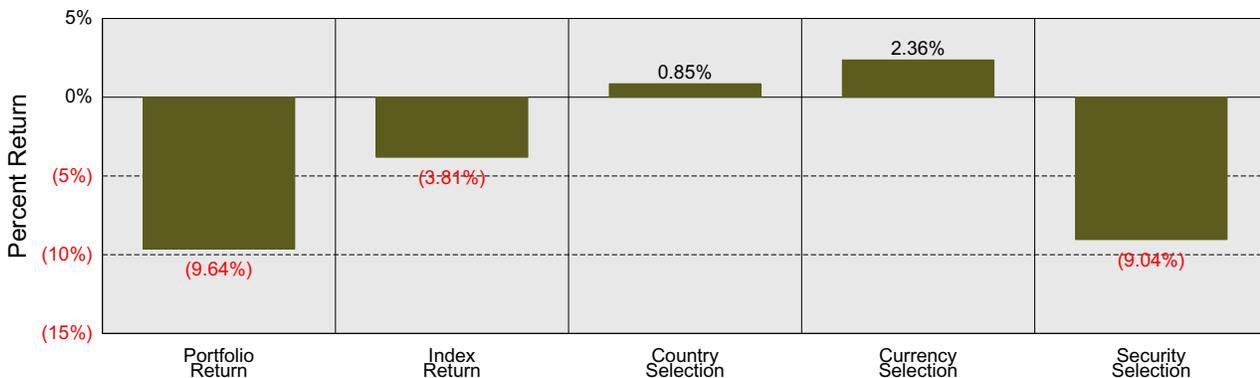
# Janus Overseas vs MSCI ACWI ex US Index Attribution for Quarter Ended December 31, 2014

## International Attribution

The first chart below illustrates the return for each country in the index sorted from high to low. The total return for the index is highlighted with a dotted line. The second chart (countries presented in the same order) illustrates the manager's country allocation decisions relative to the index. To the extent that the manager over-weighted a country that had a higher return than the total return for the index (above the dotted line) it contributes positively to the manager's country (or currency) selection effect. The last chart details the manager return, the index return, and the attribution factors for the quarter.



## Attribution Factors for Quarter Ended December 31, 2014



# Oakmark International

## Period Ended December 31, 2014

### Investment Philosophy

Harris Associates are value investors. They seek to invest in companies that trade at a substantial discount to their underlying business values and run by managers who think and act as owners. They believe that purchasing a quality business at a discount to its underlying value minimizes risk while providing substantial profit potential. Over time, they believe the price of a stock will rise to reflect the company's underlying business value; in practice, their investment time horizon is generally three to five years. They are concentrated investors, building focused portfolios that provide diversification but are concentrated enough so that their best ideas can make a meaningful impact on investment performance. They believe they can add value through their stock selection capabilities and low correlation to international indices and peers. Harris believes their greatest competitive advantage is their long-term investment horizon, exploiting the mispricing of securities caused by what they believe is the short-term focus of many market participants.

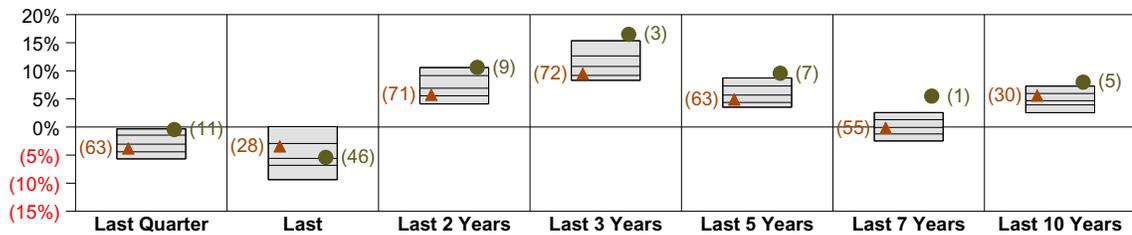
### Quarterly Summary and Highlights

- Oakmark International's portfolio posted a (0.45)% return for the quarter placing it in the 11 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 46 percentile for the last year.
- Oakmark International's portfolio outperformed the MSCI ACWI ex US Index by 3.36% for the quarter and underperformed the MSCI ACWI ex US Index for the year by 1.97%.

### Quarterly Asset Growth

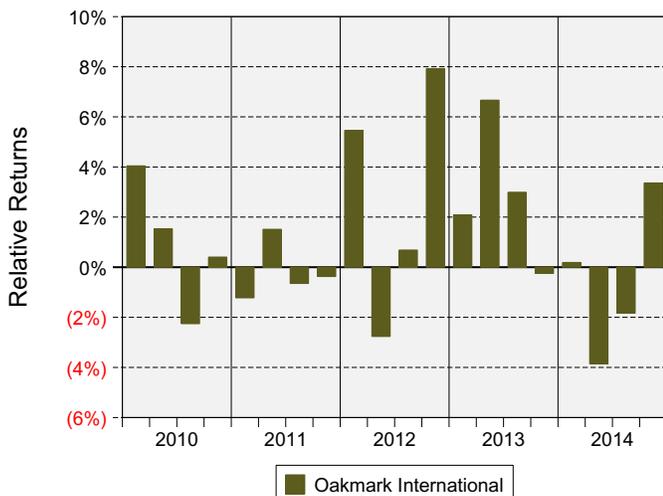
|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$15,320,545 |
| Net New Investment        | \$0          |
| Investment Gains/(Losses) | -\$69,531    |
| Ending Market Value       | \$15,251,015 |

### Performance vs CAI MF - Non-US Equity Style (Net)

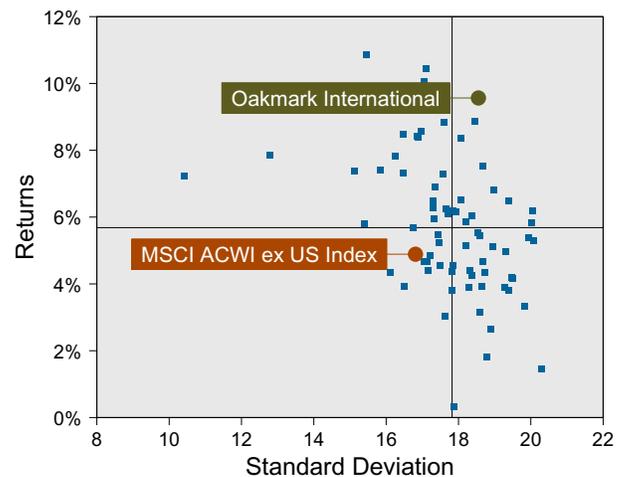


|                              | Last Quarter  | Last Year     | Last 2 Years | Last 3 Years | Last 5 Years | Last 7 Years | Last 10 Years |
|------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|
| 10th Percentile              | (0.33)        | 0.06          | 10.58        | 15.35        | 8.73         | 2.57         | 7.28          |
| 25th Percentile              | (1.45)        | (2.93)        | 9.15         | 12.65        | 7.30         | 1.31         | 5.96          |
| Median                       | (3.05)        | (5.58)        | 6.90         | 10.78        | 5.68         | (0.08)       | 4.68          |
| 75th Percentile              | (4.42)        | (6.82)        | 5.55         | 9.18         | 4.37         | (1.23)       | 3.94          |
| 90th Percentile              | (5.67)        | (9.38)        | 4.11         | 8.30         | 3.52         | (2.48)       | 2.55          |
| <b>Oakmark International</b> | <b>(0.45)</b> | <b>(5.41)</b> | <b>10.61</b> | <b>16.50</b> | <b>9.56</b>  | <b>5.50</b>  | <b>7.99</b>   |
| MSCI ACWI ex US Index        | (3.81)        | (3.44)        | 5.74         | 9.49         | 4.89         | (0.17)       | 5.59          |

### Relative Return vs MSCI ACWI ex US Index



### CAI MF - Non-US Equity Style (Net) Annualized Five Year Risk vs Return

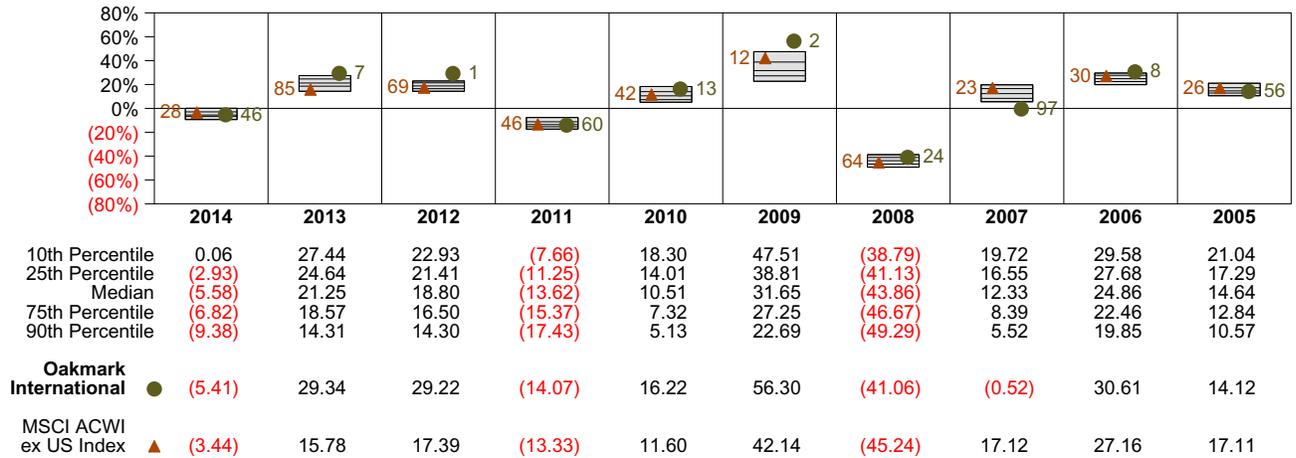


# Oakmark International Return Analysis Summary

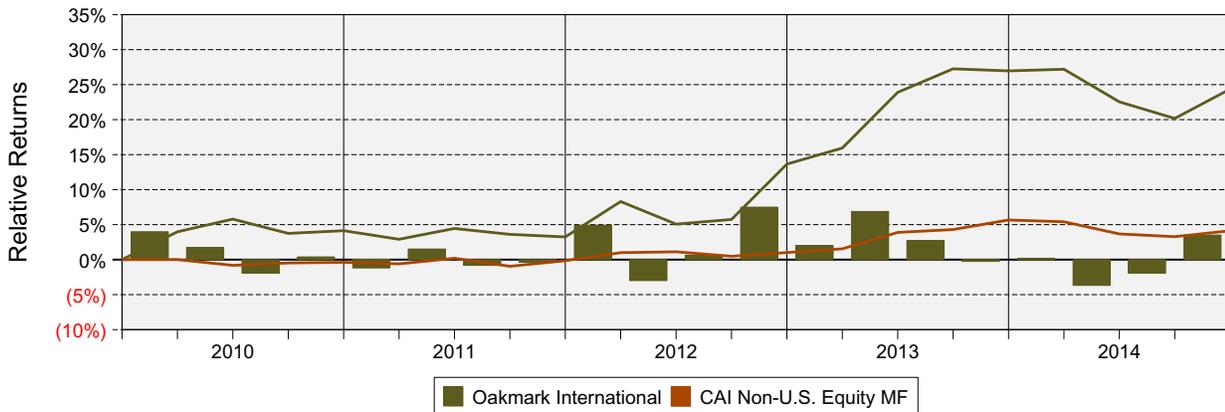
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

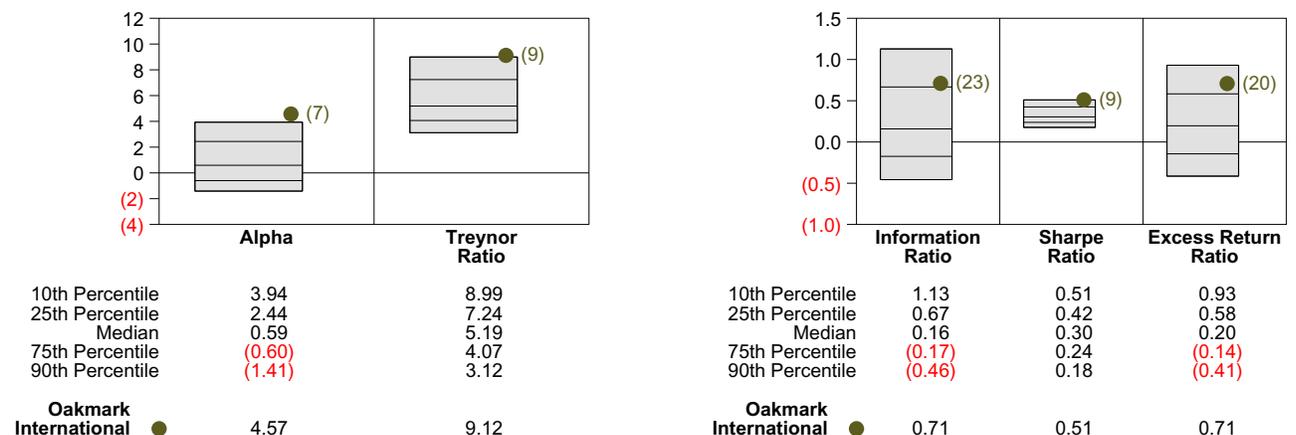
### Performance vs CAI MF - Non-US Equity Style (Net)



### Cumulative and Quarterly Relative Return vs MSCI ACWI ex US Index



### Risk Adjusted Return Measures vs MSCI ACWI ex US Index Rankings Against CAI MF - Non-US Equity Style (Net) Five Years Ended December 31, 2014

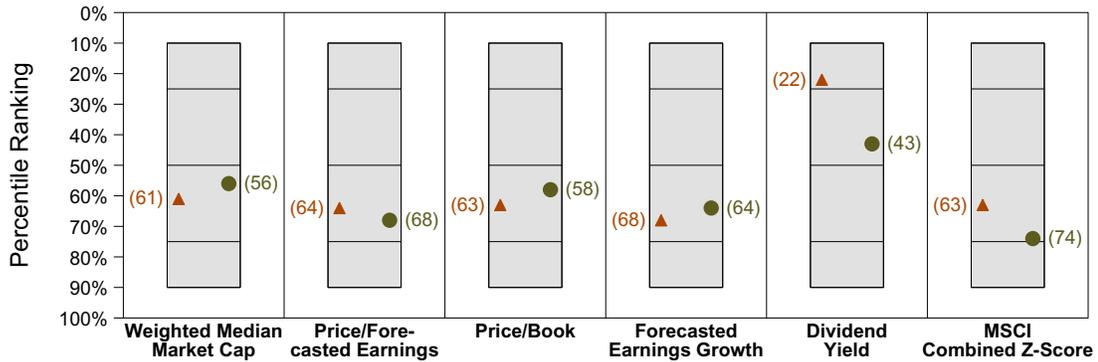


# Oakmark International Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Non-US Equity Style as of December 31, 2014

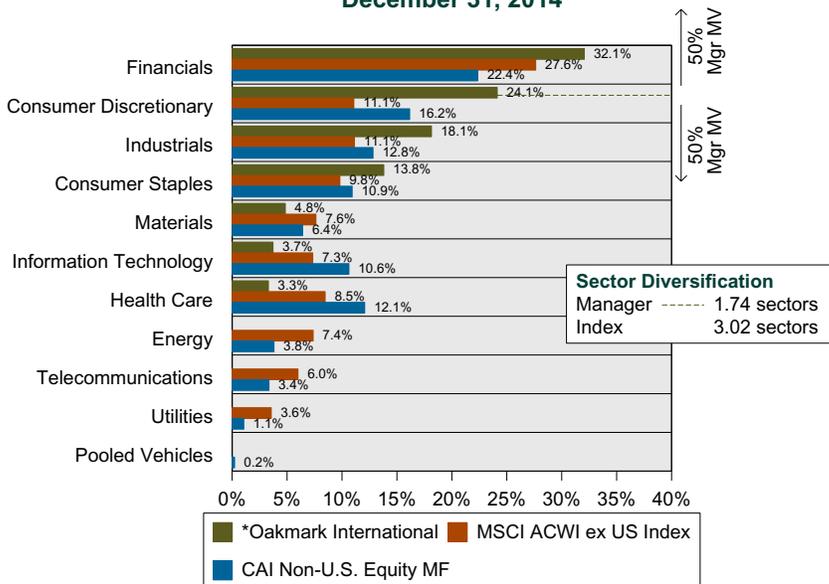


|                               | Weighted Median Market Cap | Price/Forecasted Earnings | Price/Book | Forecasted Earnings Growth | Dividend Yield | MSCI Combined Z-Score |
|-------------------------------|----------------------------|---------------------------|------------|----------------------------|----------------|-----------------------|
| 10th Percentile               | 44.45                      | 16.71                     | 2.57       | 15.26                      | 3.09           | 0.74                  |
| 25th Percentile               | 38.69                      | 15.65                     | 2.25       | 13.32                      | 2.79           | 0.60                  |
| Median                        | 31.40                      | 14.45                     | 1.91       | 11.19                      | 2.36           | 0.21                  |
| 75th Percentile               | 23.48                      | 12.99                     | 1.49       | 9.46                       | 1.89           | (0.09)                |
| 90th Percentile               | 12.92                      | 12.16                     | 1.22       | 7.76                       | 1.71           | (0.41)                |
| <b>*Oakmark International</b> | 30.57                      | 13.24                     | 1.75       | 10.21                      | 2.50           | (0.09)                |
| MSCI ACWI ex US Index         | 28.50                      | 13.39                     | 1.64       | 9.97                       | 2.86           | (0.00)                |

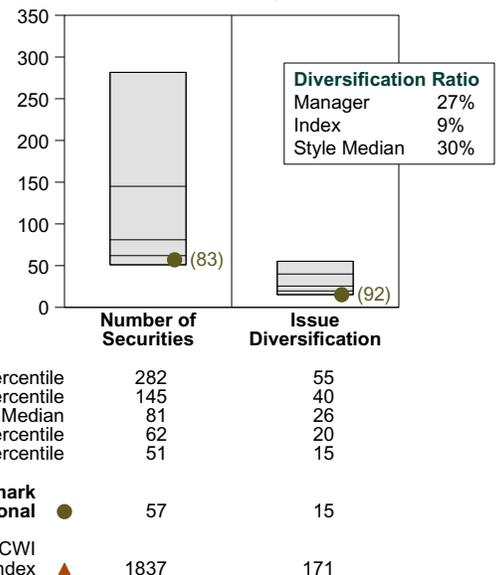
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014

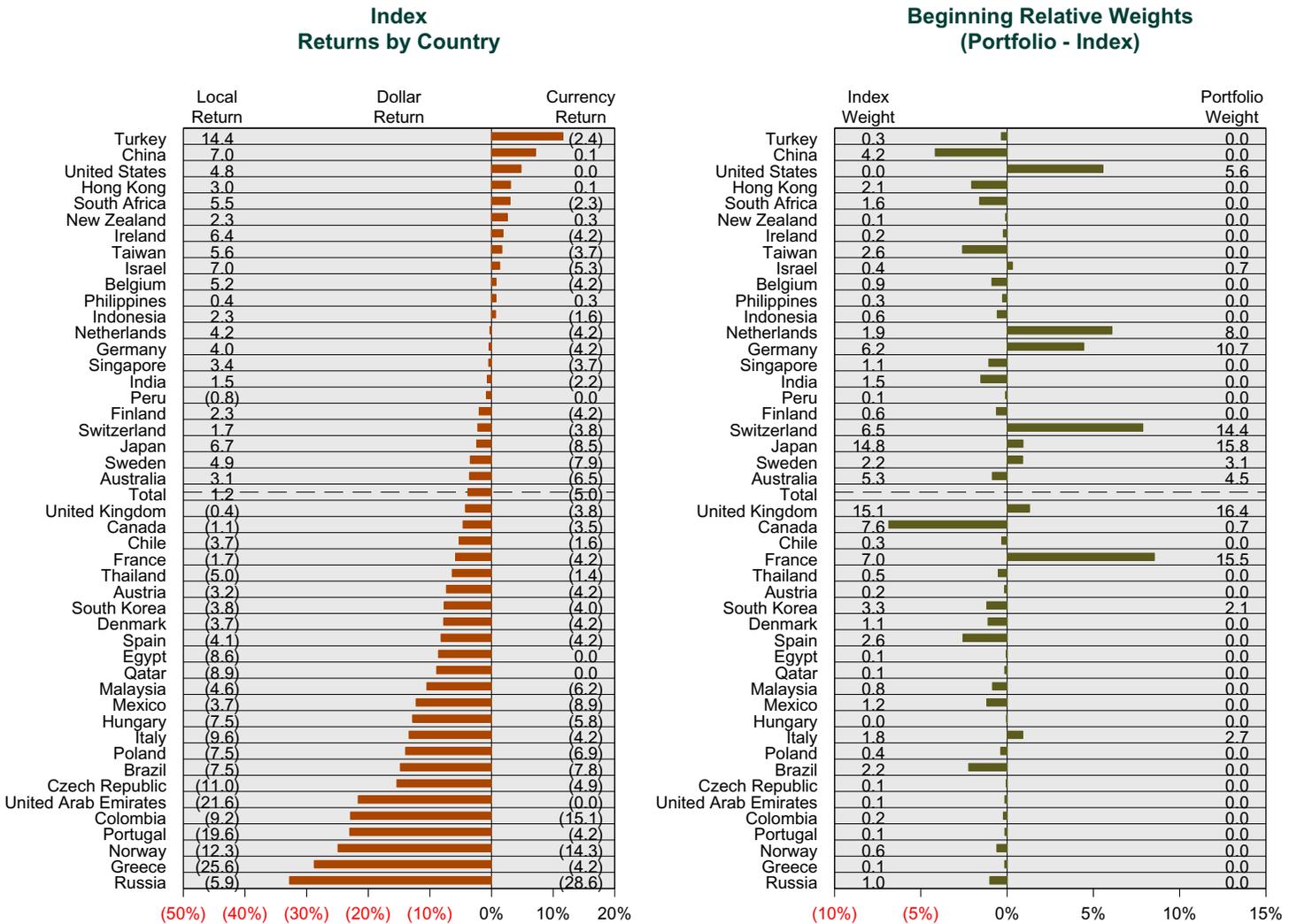


\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

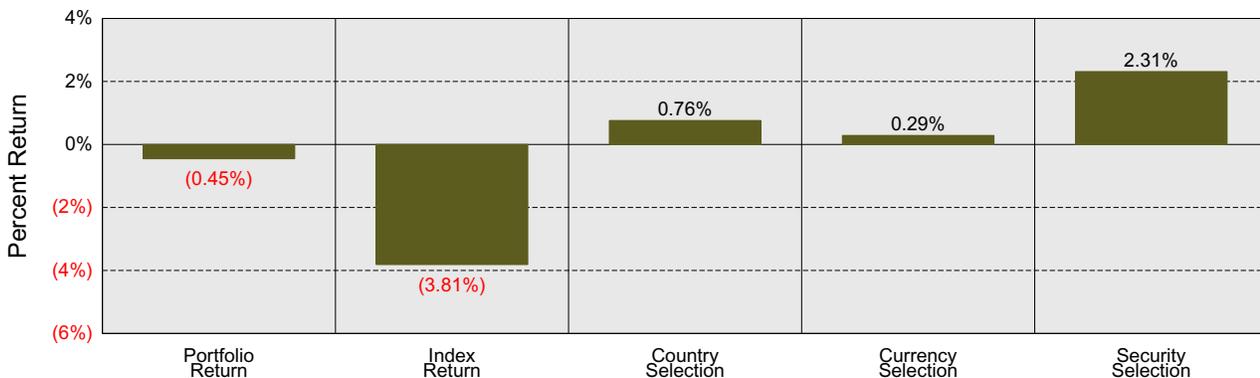
# Oakmark International vs MSCI ACWI ex US Index Attribution for Quarter Ended December 31, 2014

## International Attribution

The first chart below illustrates the return for each country in the index sorted from high to low. The total return for the index is highlighted with a dotted line. The second chart (countries presented in the same order) illustrates the manager's country allocation decisions relative to the index. To the extent that the manager over-weighted a country that had a higher return than the total return for the index (above the dotted line) it contributes positively to the manager's country (or currency) selection effect. The last chart details the manager return, the index return, and the attribution factors for the quarter.



## Attribution Factors for Quarter Ended December 31, 2014



# Mondrian International Period Ended December 31, 2014

## Investment Philosophy

Mondrian's value driven investment philosophy is based on the belief that investments need to be evaluated in terms of their fundamental long-term value. In the management of international equity assets, they invest in securities where rigorous dividend discount analysis identifies value in terms of the long term flow of income. Mondrian's management fee is 77 bps on all assets.

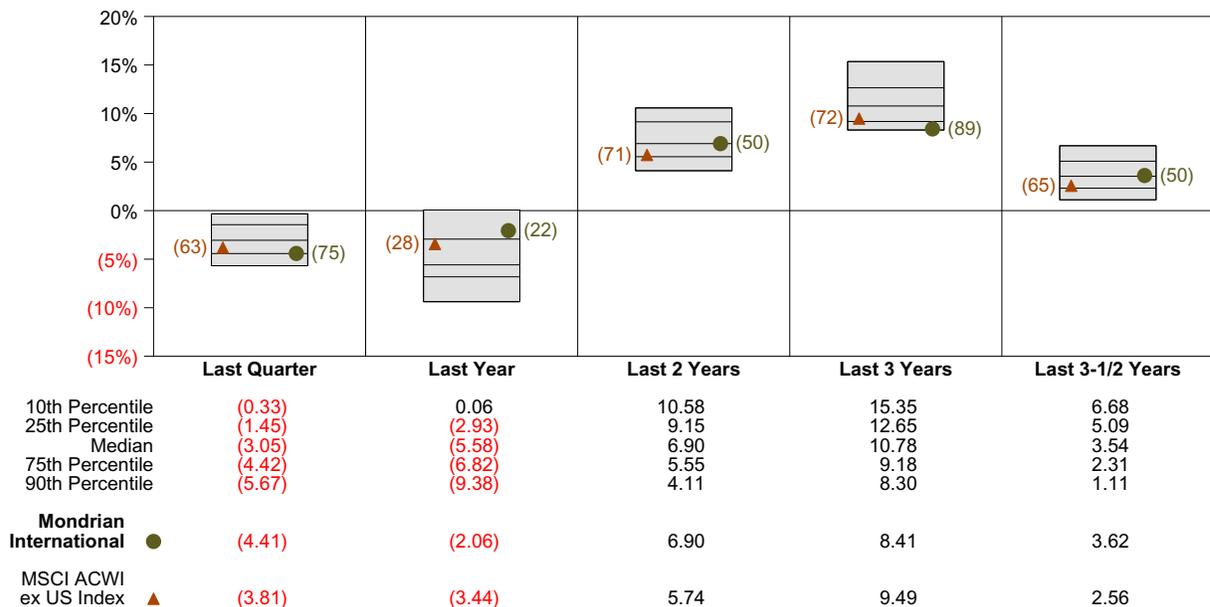
## Quarterly Summary and Highlights

- Mondrian International's portfolio posted a (4.41)% return for the quarter placing it in the 75 percentile of the CAI MF - Non-US Equity Style group for the quarter and in the 22 percentile for the last year.
- Mondrian International's portfolio underperformed the MSCI ACWI ex US Index by 0.59% for the quarter and outperformed the MSCI ACWI ex US Index for the year by 1.37%.

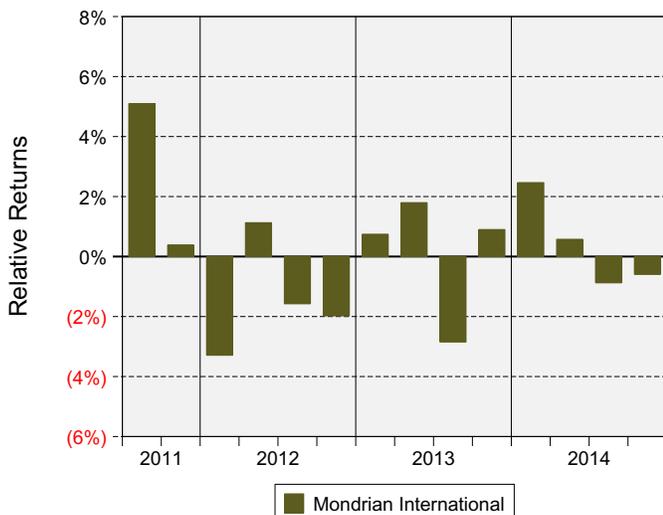
## Quarterly Asset Growth

|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$21,242,578 |
| Net New Investment        | \$40,640     |
| Investment Gains/(Losses) | \$-937,758   |
| Ending Market Value       | \$20,345,460 |

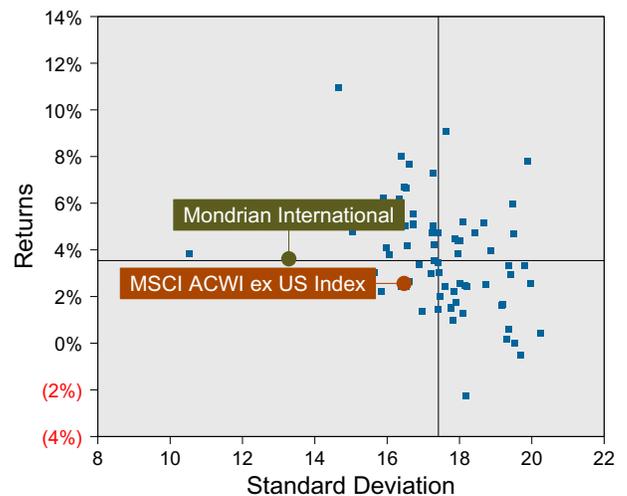
## Performance vs CAI MF - Non-US Equity Style (Net)



## Relative Return vs MSCI ACWI ex US Index



## CAI MF - Non-US Equity Style (Net) Annualized Three and One-Half Year Risk vs Return

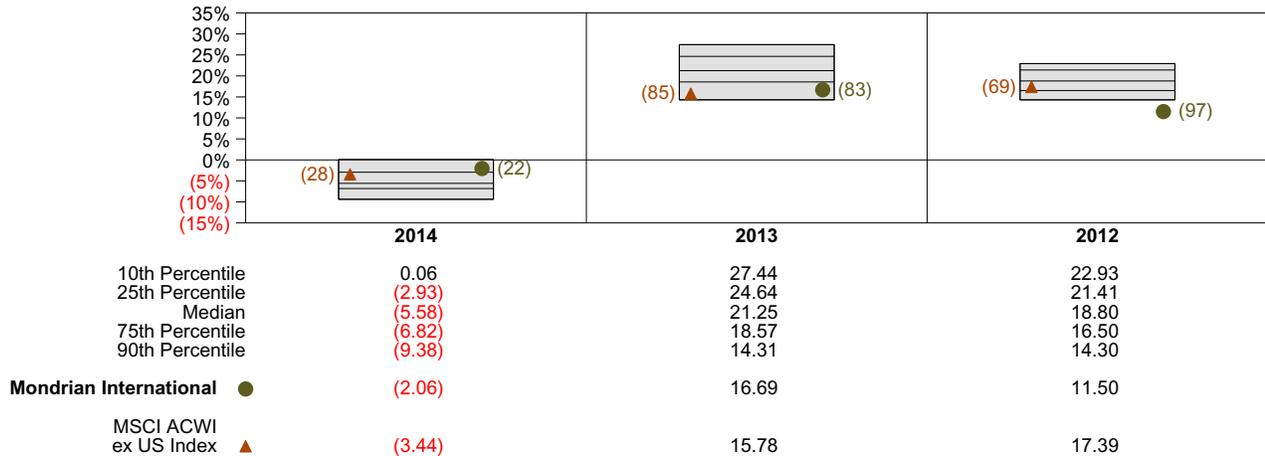


# Mondrian International Return Analysis Summary

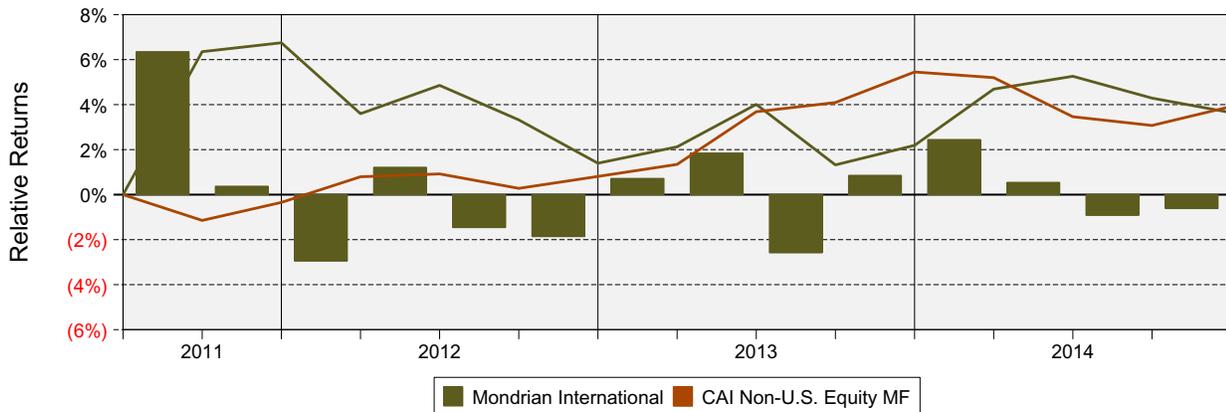
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

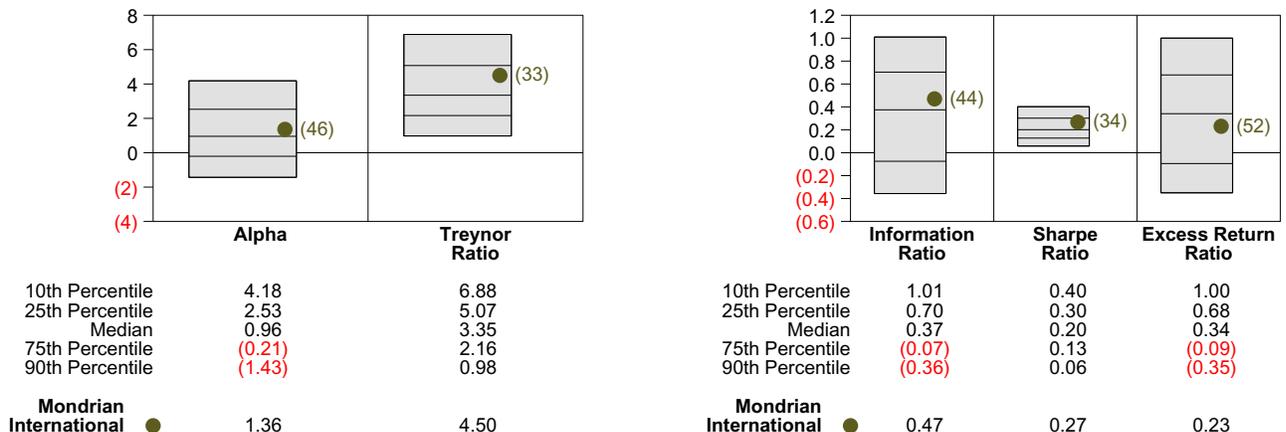
### Performance vs CAI MF - Non-US Equity Style (Net)



### Cumulative and Quarterly Relative Return vs MSCI ACWI ex US Index



### Risk Adjusted Return Measures vs MSCI ACWI ex US Index Rankings Against CAI MF - Non-US Equity Style (Net) Three and One-Half Years Ended December 31, 2014

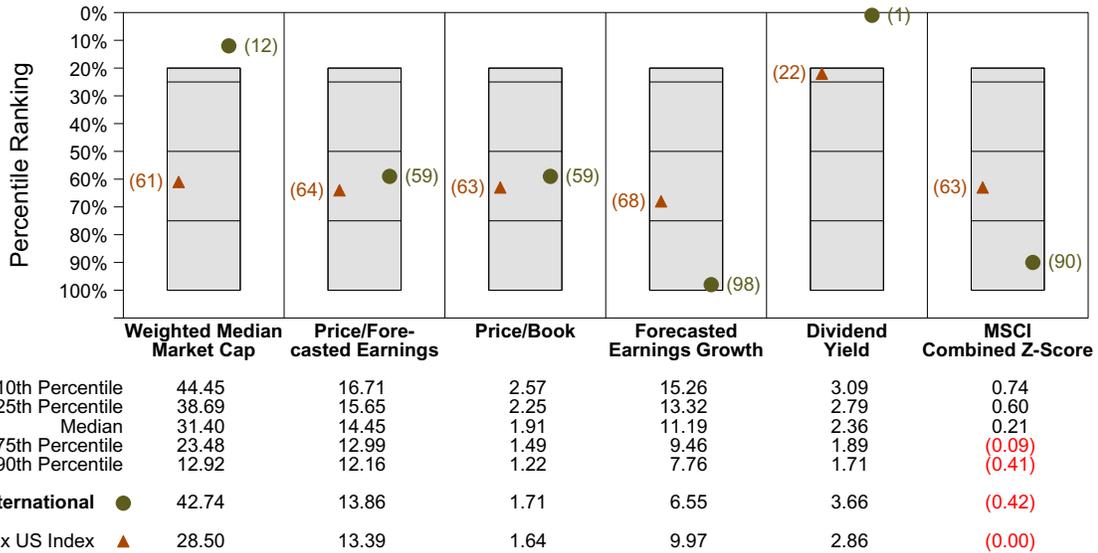


# Mondrian International Equity Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

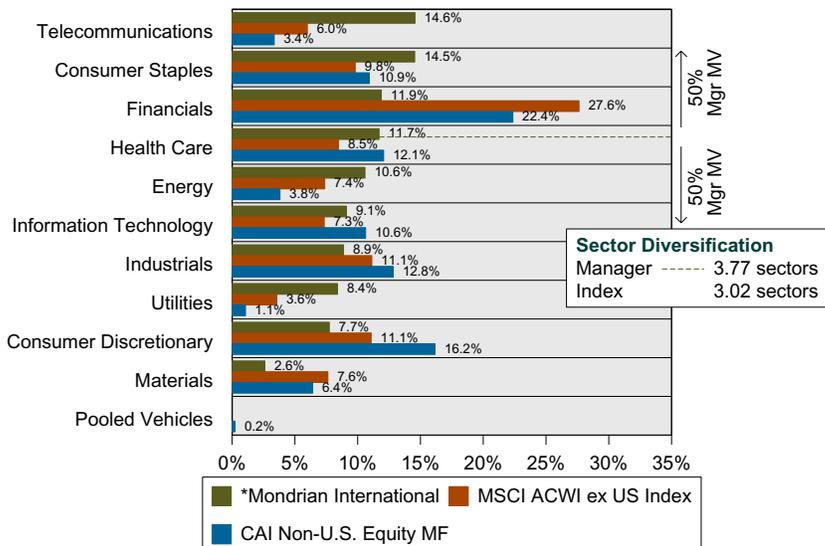
## Portfolio Characteristics Percentile Rankings Rankings Against CAI MF - Non-US Equity Style as of December 31, 2014



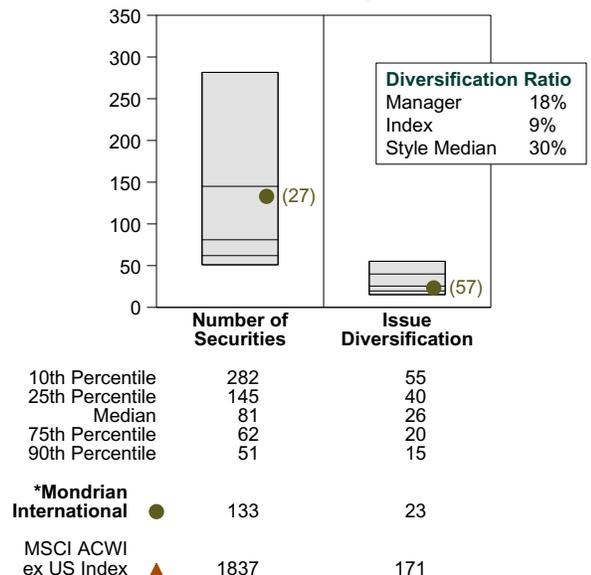
## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

### Sector Allocation December 31, 2014



### Diversification December 31, 2014

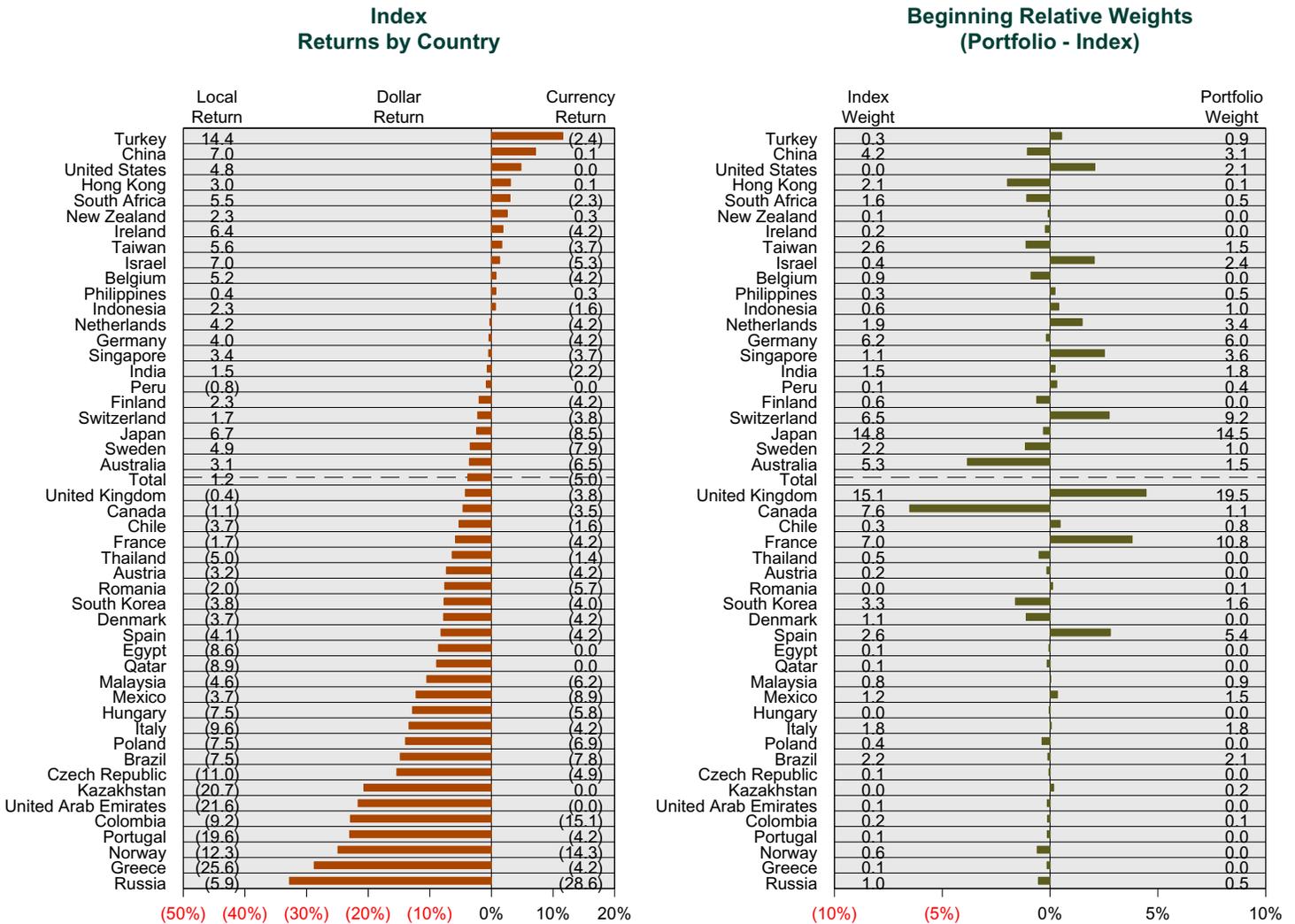


\*12/31/14 portfolio characteristics generated using most recently available holdings (9/30/14) modified based on a "buy-and-hold" assumption (repriced and adjusted for corporate actions). Analysis is then done using current market and company financial data.

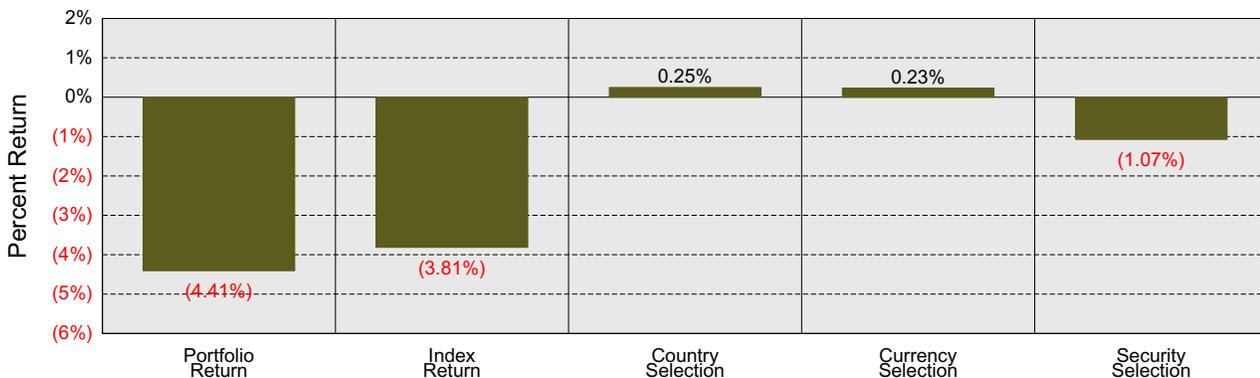
# Mondrian International vs MSCI ACWI ex US Index Attribution for Quarter Ended December 31, 2014

## International Attribution

The first chart below illustrates the return for each country in the index sorted from high to low. The total return for the index is highlighted with a dotted line. The second chart (countries presented in the same order) illustrates the manager's country allocation decisions relative to the index. To the extent that the manager over-weighted a country that had a higher return than the total return for the index (above the dotted line) it contributes positively to the manager's country (or currency) selection effect. The last chart details the manager return, the index return, and the attribution factors for the quarter.



## Attribution Factors for Quarter Ended December 31, 2014





# Domestic Fixed Income Composite Period Ended December 31, 2014

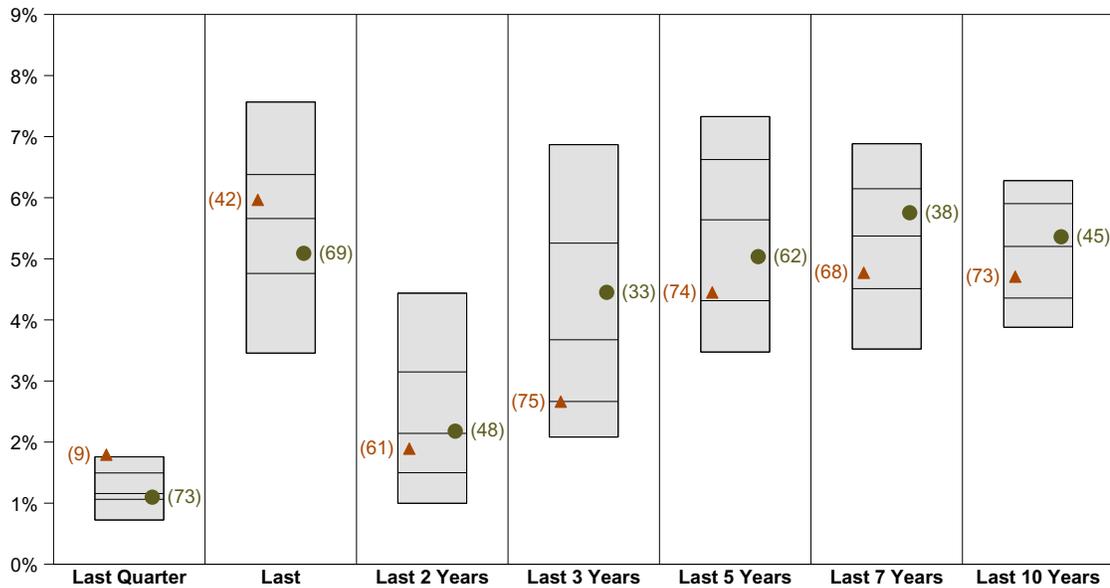
## Quarterly Summary and Highlights

- Domestic Fixed Income Composite's portfolio posted a 1.10% return for the quarter placing it in the 73 percentile of the Pub Pln- Domestic Fixed group for the quarter and in the 69 percentile for the last year.
- Domestic Fixed Income Composite's portfolio underperformed the Barclays Aggregate Index by 0.70% for the quarter and underperformed the Barclays Aggregate Index for the year by 0.88%.

## Quarterly Asset Growth

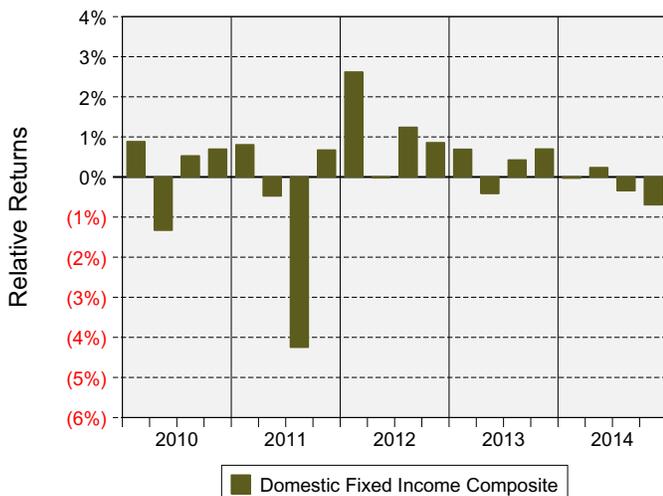
|                           |               |
|---------------------------|---------------|
| Beginning Market Value    | \$114,577,193 |
| Net New Investment        | \$3,138,967   |
| Investment Gains/(Losses) | \$1,276,095   |
| Ending Market Value       | \$118,992,255 |

## Performance vs Pub Pln- Domestic Fixed (Gross)

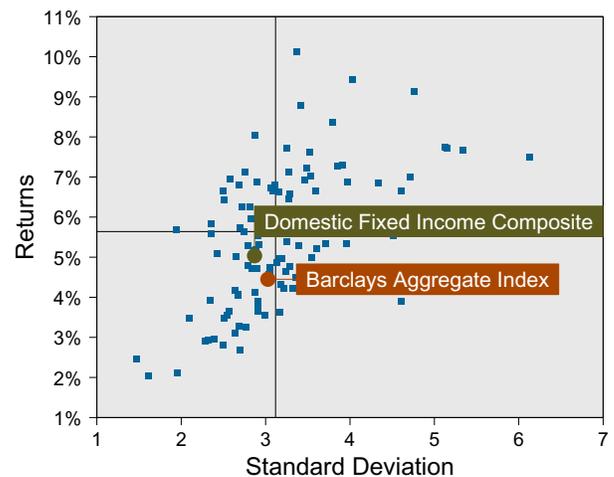


|  |        |      |      |      |      |      |      |
|--|--------|------|------|------|------|------|------|
| 10th Percentile                        | 1.76   | 7.57 | 4.44 | 6.87 | 7.33 | 6.88 | 6.28 |
| 25th Percentile                        | 1.49   | 6.38 | 3.15 | 5.26 | 6.63 | 6.15 | 5.90 |
| Median                                 | 1.16   | 5.66 | 2.14 | 3.67 | 5.64 | 5.37 | 5.20 |
| 75th Percentile                        | 1.06   | 4.76 | 1.50 | 2.66 | 4.31 | 4.51 | 4.36 |
| 90th Percentile                        | 0.72   | 3.46 | 1.00 | 2.08 | 3.47 | 3.52 | 3.88 |
| <b>Domestic Fixed Income Composite</b> | ● 1.10 | 5.09 | 2.18 | 4.45 | 5.04 | 5.75 | 5.36 |
| Barclays Aggregate Index               | ▲ 1.79 | 5.97 | 1.89 | 2.66 | 4.45 | 4.77 | 4.71 |

## Relative Return vs Barclays Aggregate Index



## Pub Pln- Domestic Fixed (Gross) Annualized Five Year Risk vs Return

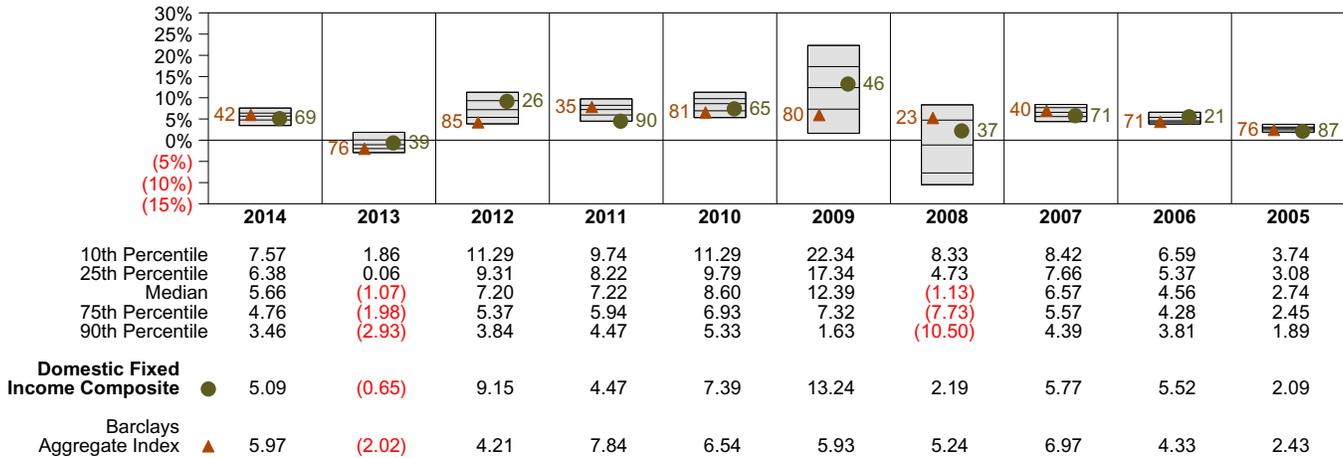


# Domestic Fixed Income Composite Return Analysis Summary

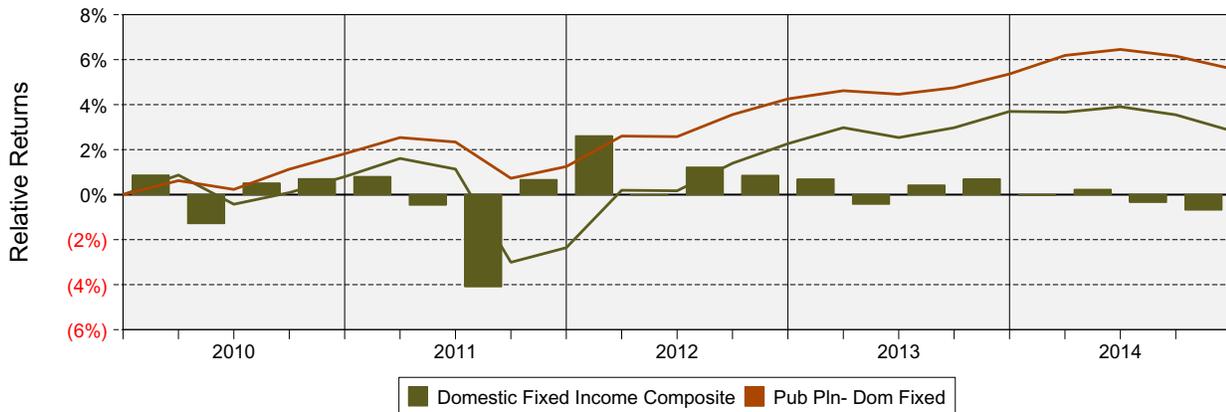
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

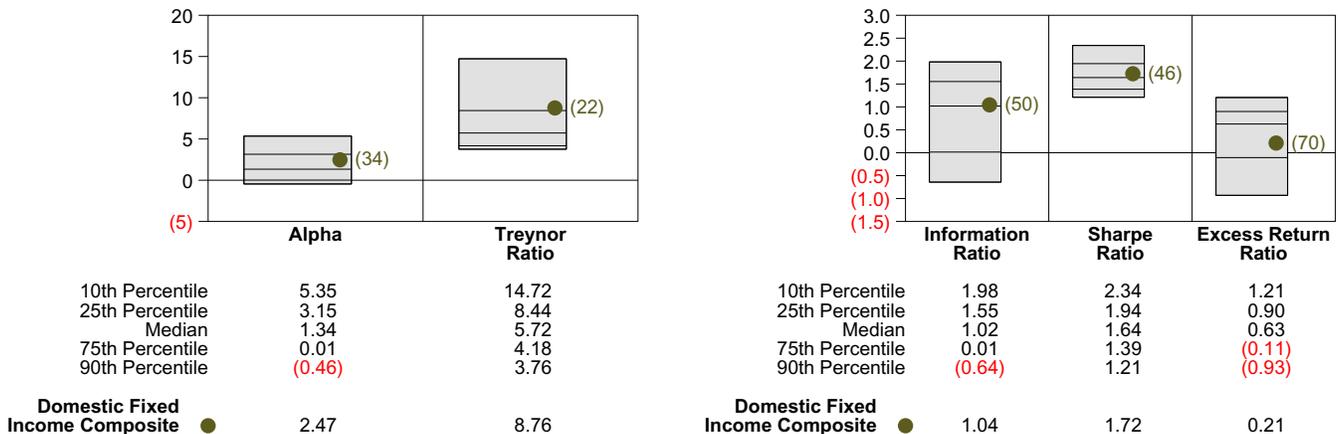
### Performance vs Pub Pln- Domestic Fixed (Gross)



### Cumulative and Quarterly Relative Return vs Barclays Aggregate Index



### Risk Adjusted Return Measures vs Barclays Aggregate Index Rankings Against Pub Pln- Domestic Fixed (Gross) Five Years Ended December 31, 2014

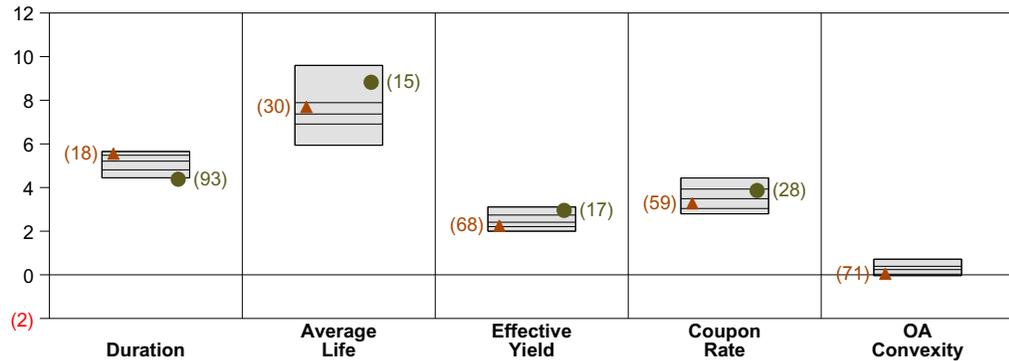


# Domestic Fixed Income Composite Bond Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Fixed Income Portfolio Characteristics Rankings Against CAI Core Bond Fixed-Inc Style as of December 31, 2014

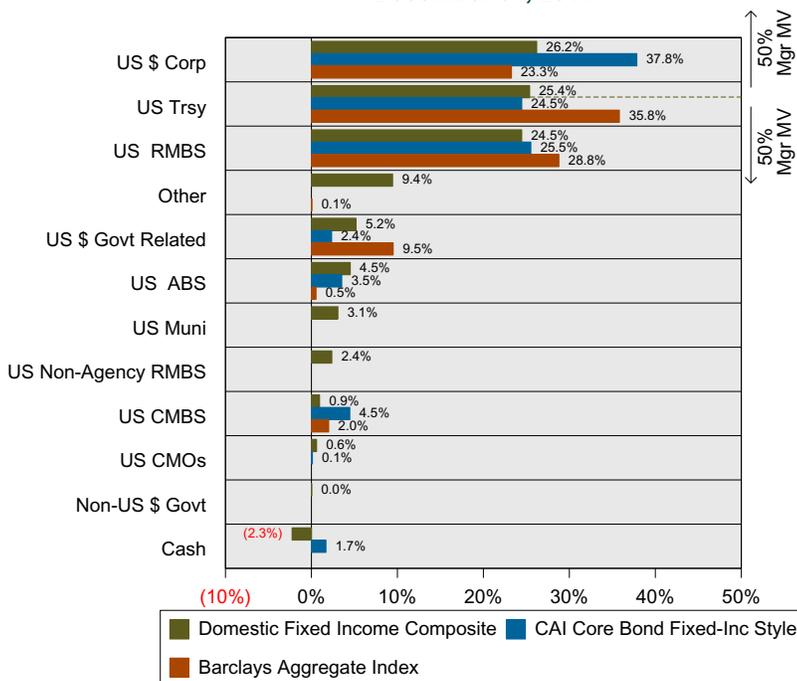


|  | Duration | Average Life | Effective Yield | Coupon Rate | OA Convexity |
|--|----------|--------------|-----------------|-------------|--------------|
| 10th Percentile                        | 5.65     | 9.60         | 3.11            | 4.44        | 0.72         |
| 25th Percentile                        | 5.48     | 7.89         | 2.74            | 3.93        | 0.39         |
| Median                                 | 5.21     | 7.37         | 2.41            | 3.49        | 0.24         |
| 75th Percentile                        | 4.81     | 6.91         | 2.21            | 3.04        | 0.03         |
| 90th Percentile                        | 4.45     | 5.94         | 2.00            | 2.80        | (0.04)       |
| <b>Domestic Fixed Income Composite</b> | 4.38     | 8.82         | 2.95            | 3.86        | -            |
| Barclays Aggregate Index               | 5.55     | 7.69         | 2.25            | 3.28        | 0.05         |

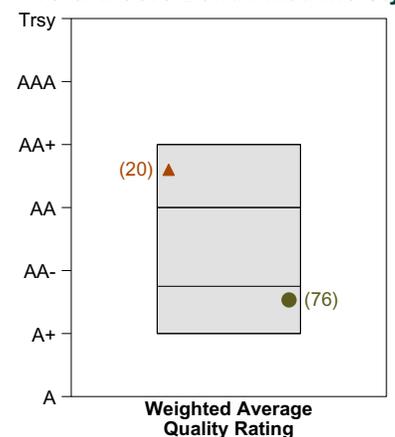
## Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.

### Sector Allocation December 31, 2014



### Quality Ratings vs CAI Core Bond Fixed-Inc Style



|                 |     |
|-----------------|-----|
| 10th Percentile | AA+ |
| 25th Percentile | AA  |
| Median          | AA  |
| 75th Percentile | AA- |
| 90th Percentile | A+  |

|  |     |
|--|-----|
| <b>Domestic Fixed Income Composite</b> | AA- |
| Barclays Aggregate Index               | AA+ |

# Dodge & Cox Income Period Ended December 31, 2014

## Investment Philosophy

Dodge & Cox's Fixed Income Philosophy is to construct and manage a high-quality and diversified portfolio of securities that is selected through bottom-up, fundamental analysis. They believe that by combining fundamental research with a long-term investment horizon, it is possible to uncover and act upon inefficiencies in the valuation of market sectors and individual securities. When this fundamental research effort is combined with a disciplined program of risk analysis, they believe attractive returns are possible over the long-term. In their efforts to seek attractive returns, the team: 1) emphasizes market sector and individual security selection; 2) strive to build portfolios which have a higher yield than the composite yield of the broad bond market; and 3) analyzes portfolio and individual security risk. Their credit research focuses on analysis of the fundamental factors that impact an individual issuer's or market sector's credit risk. They also consider economic trends and special circumstances which may affect an industry or a specific issue or issuer.

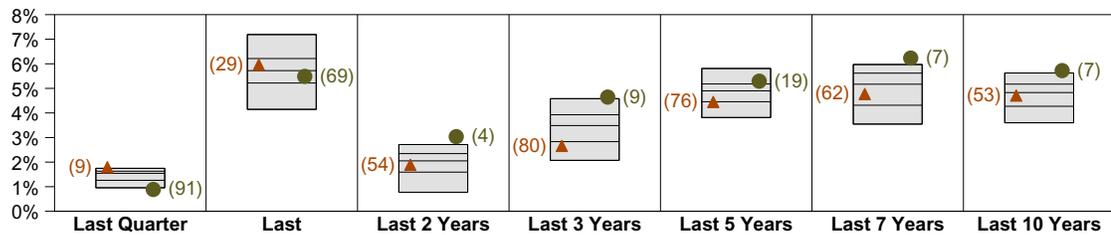
## Quarterly Summary and Highlights

- Dodge & Cox Income's portfolio posted a 0.89% return for the quarter placing it in the 91 percentile of the CAI MF - Core Bond Style group for the quarter and in the 69 percentile for the last year.
- Dodge & Cox Income's portfolio underperformed the Barclays Aggregate Index by 0.91% for the quarter and underperformed the Barclays Aggregate Index for the year by 0.48%.

## Quarterly Asset Growth

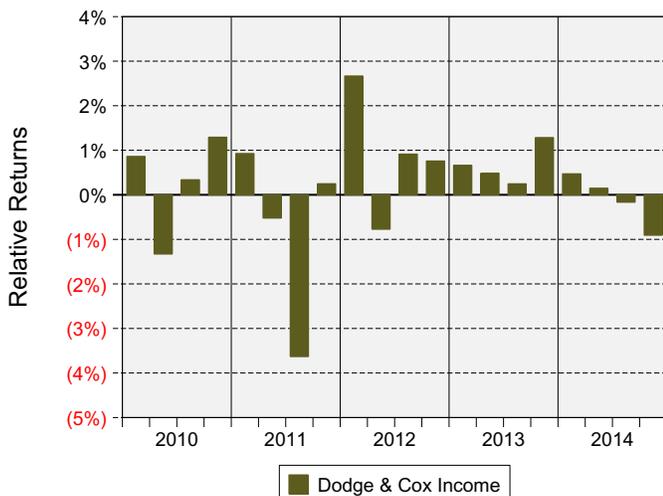
|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$57,725,447 |
| Net New Investment        | \$1,623,561  |
| Investment Gains/(Losses) | \$513,836    |
| Ending Market Value       | \$59,862,843 |

## Performance vs CAI MF - Core Bond Style (Net)

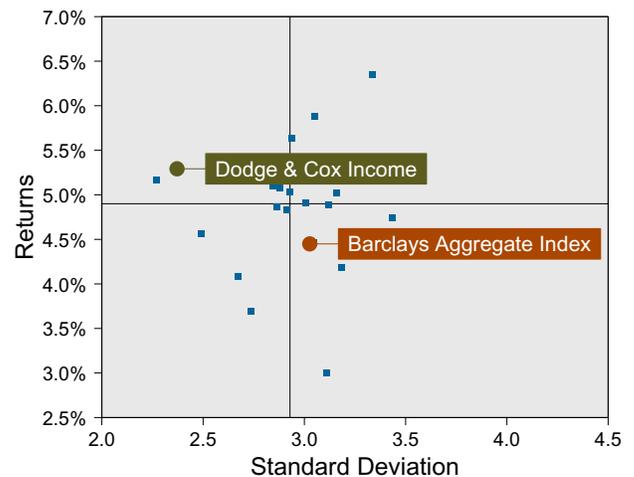


|                               |             |             |             |             |             |             |             |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 10th Percentile               | 1.75        | 7.19        | 2.71        | 4.58        | 5.81        | 5.97        | 5.63        |
| 25th Percentile               | 1.63        | 6.21        | 2.35        | 3.93        | 5.18        | 5.62        | 5.17        |
| Median                        | 1.54        | 5.72        | 2.05        | 3.49        | 4.90        | 5.17        | 4.83        |
| 75th Percentile               | 1.26        | 5.22        | 1.59        | 2.83        | 4.46        | 4.31        | 4.27        |
| 90th Percentile               | 0.96        | 4.15        | 0.77        | 2.07        | 3.81        | 3.55        | 3.60        |
| <b>Dodge &amp; Cox Income</b> | <b>0.89</b> | <b>5.49</b> | <b>3.03</b> | <b>4.65</b> | <b>5.29</b> | <b>6.23</b> | <b>5.72</b> |
| Barclays Aggregate Index      | 1.79        | 5.97        | 1.89        | 2.66        | 4.45        | 4.77        | 4.71        |

## Relative Return vs Barclays Aggregate Index



## CAI MF - Core Bond Style (Net) Annualized Five Year Risk vs Return

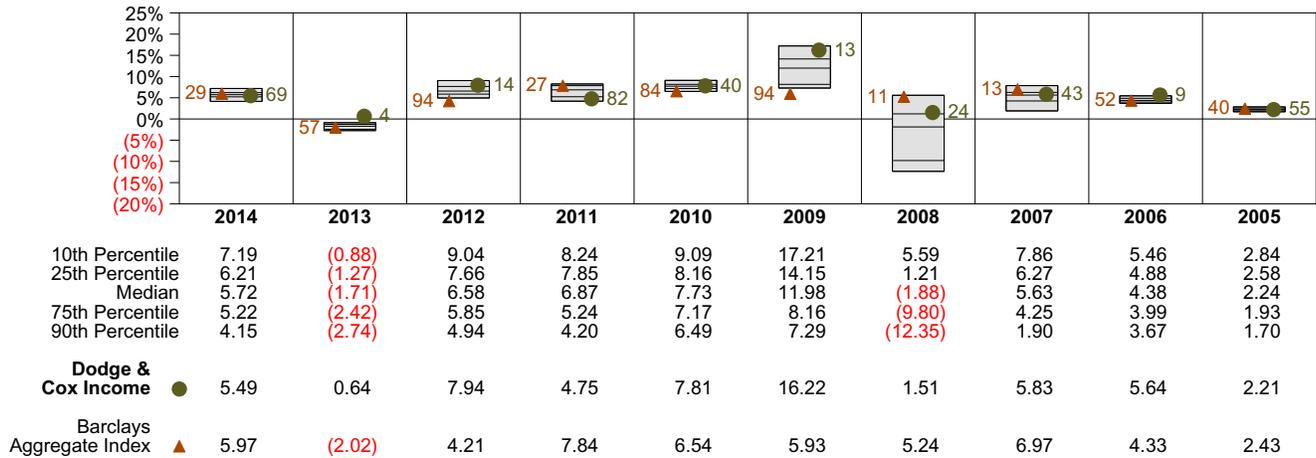


# Dodge & Cox Income Return Analysis Summary

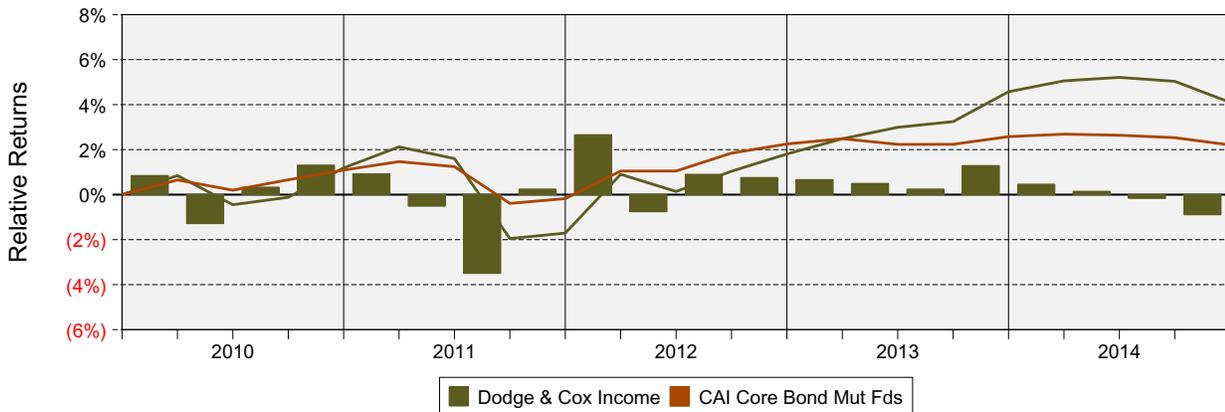
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

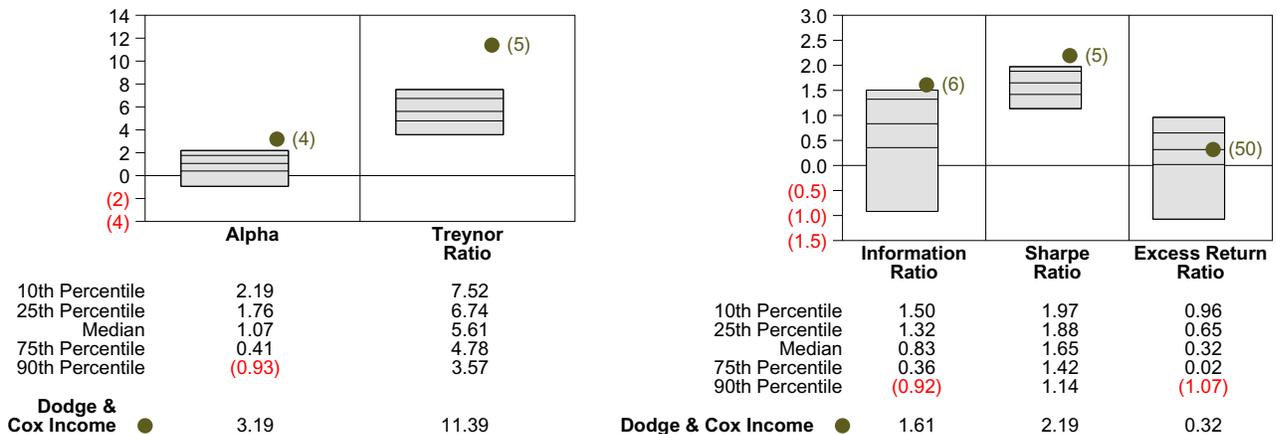
### Performance vs CAI MF - Core Bond Style (Net)



### Cumulative and Quarterly Relative Return vs Barclays Aggregate Index



### Risk Adjusted Return Measures vs Barclays Aggregate Index Rankings Against CAI MF - Core Bond Style (Net) Five Years Ended December 31, 2014

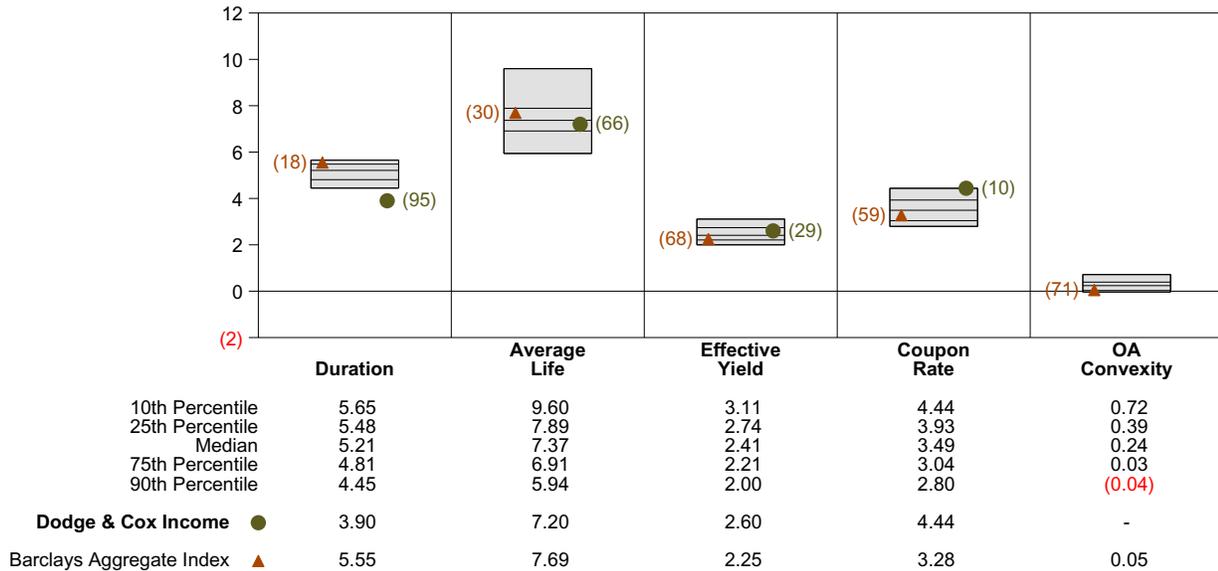


# Dodge & Cox Income Bond Characteristics Analysis Summary

## Portfolio Characteristics

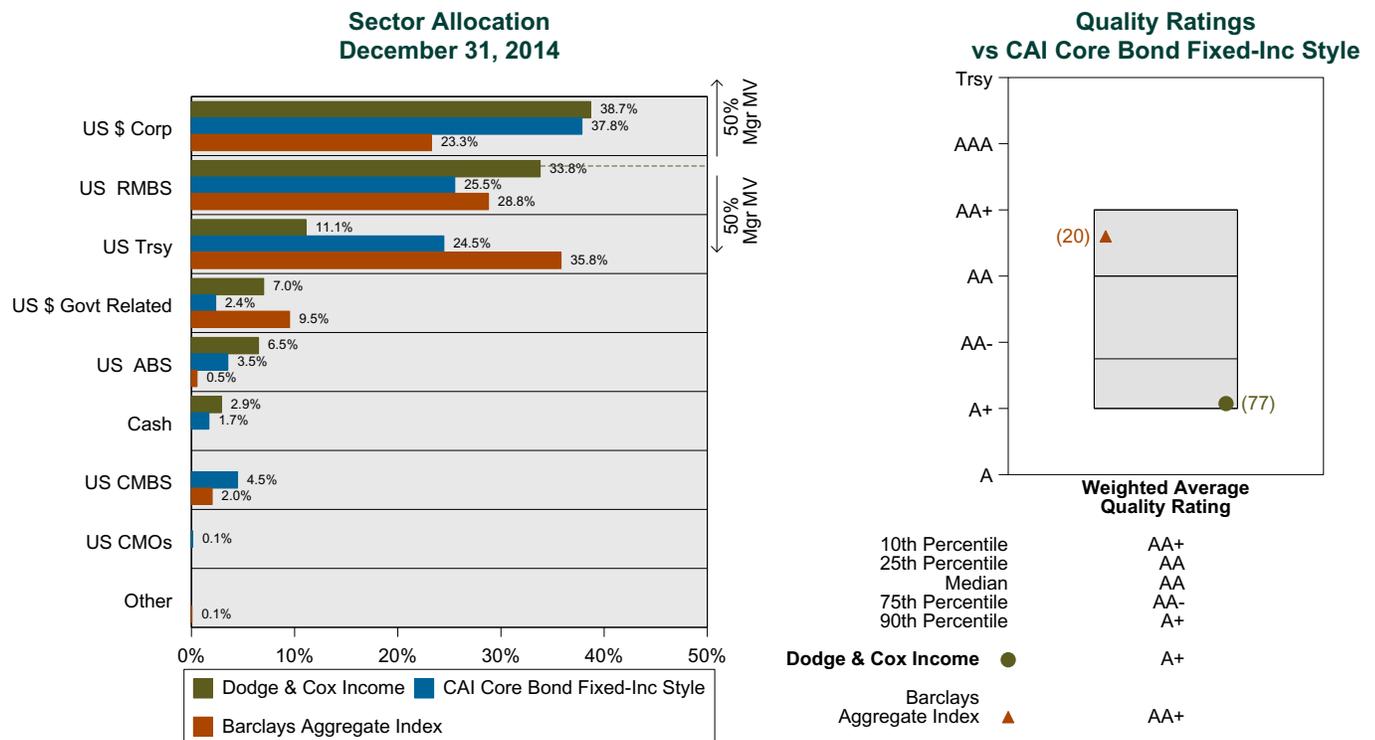
This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Fixed Income Portfolio Characteristics Rankings Against CAI Core Bond Fixed-Inc Style as of December 31, 2014



## Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.



# PIMCO

## Period Ended December 31, 2014

### Investment Philosophy

PIMCO emphasizes adding value by rotating through the major sectors of the domestic and international bond markets. They also seek to enhance returns through duration management.

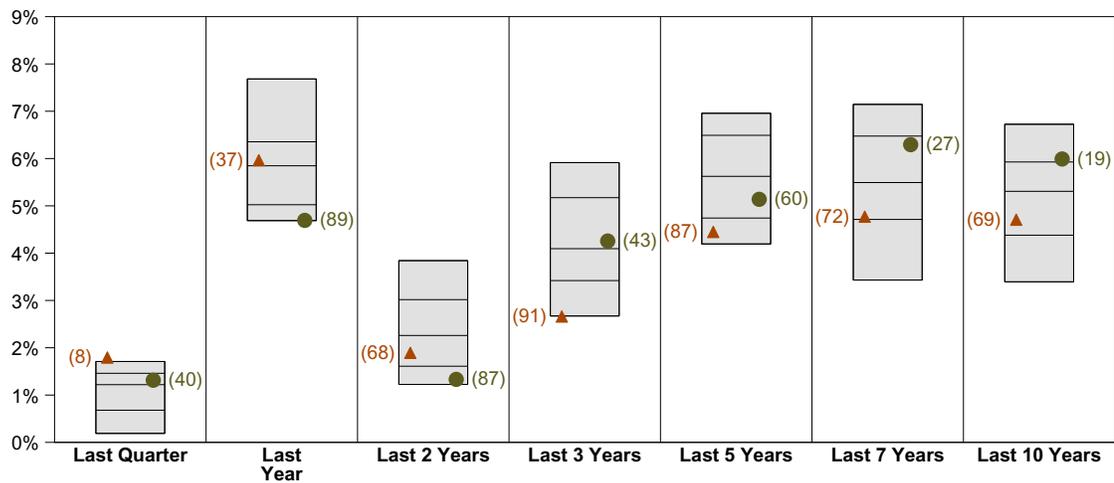
### Quarterly Summary and Highlights

- PIMCO's portfolio posted a 1.31% return for the quarter placing it in the 40 percentile of the CAI MF - Core Plus Style group for the quarter and in the 89 percentile for the last year.
- PIMCO's portfolio underperformed the Barclays Aggregate Index by 0.48% for the quarter and underperformed the Barclays Aggregate Index for the year by 1.27%.

### Quarterly Asset Growth

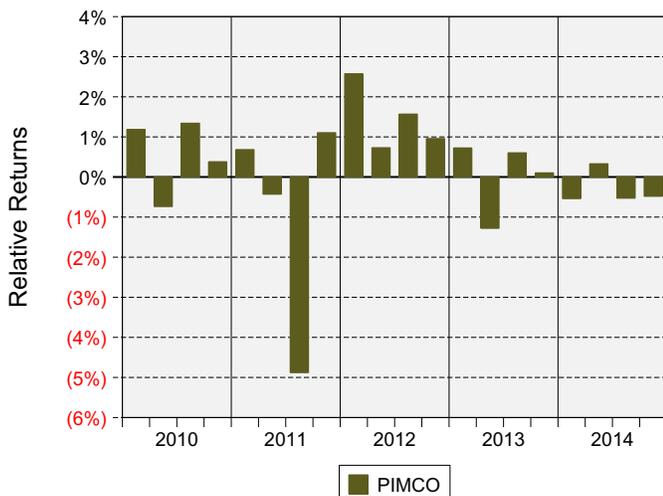
|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$56,851,746 |
| Net New Investment        | \$1,515,406  |
| Investment Gains/(Losses) | \$762,259    |
| Ending Market Value       | \$59,129,412 |

### Performance vs CAI MF - Core Plus Style (Net)

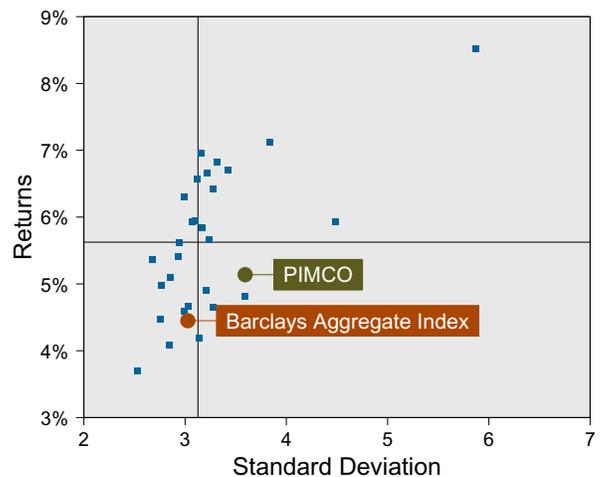


|                            |      |      |      |      |      |      |      |
|----------------------------|------|------|------|------|------|------|------|
| 10th Percentile            | 1.71 | 7.68 | 3.84 | 5.91 | 6.96 | 7.15 | 6.73 |
| 25th Percentile            | 1.46 | 6.35 | 3.02 | 5.17 | 6.49 | 6.47 | 5.93 |
| Median                     | 1.22 | 5.85 | 2.26 | 4.09 | 5.62 | 5.49 | 5.31 |
| 75th Percentile            | 0.68 | 5.02 | 1.61 | 3.42 | 4.74 | 4.71 | 4.38 |
| 90th Percentile            | 0.19 | 4.69 | 1.22 | 2.67 | 4.19 | 3.43 | 3.39 |
| <b>PIMCO</b> ●             | 1.31 | 4.69 | 1.33 | 4.26 | 5.14 | 6.29 | 5.99 |
| Barclays Aggregate Index ▲ | 1.79 | 5.97 | 1.89 | 2.66 | 4.45 | 4.77 | 4.71 |

### Relative Return vs Barclays Aggregate Index



### CAI MF - Core Plus Style (Net) Annualized Five Year Risk vs Return

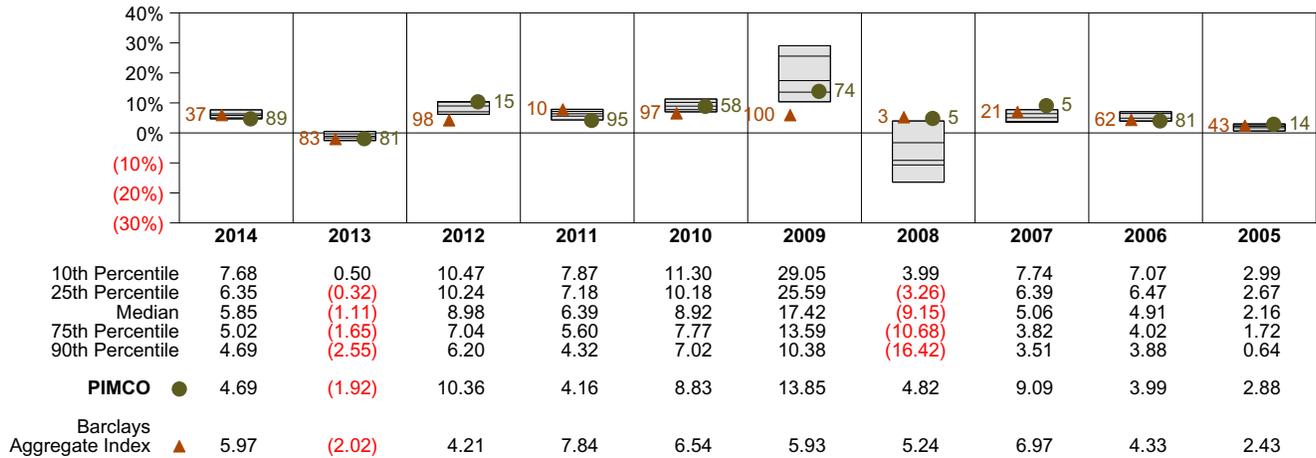


# PIMCO Return Analysis Summary

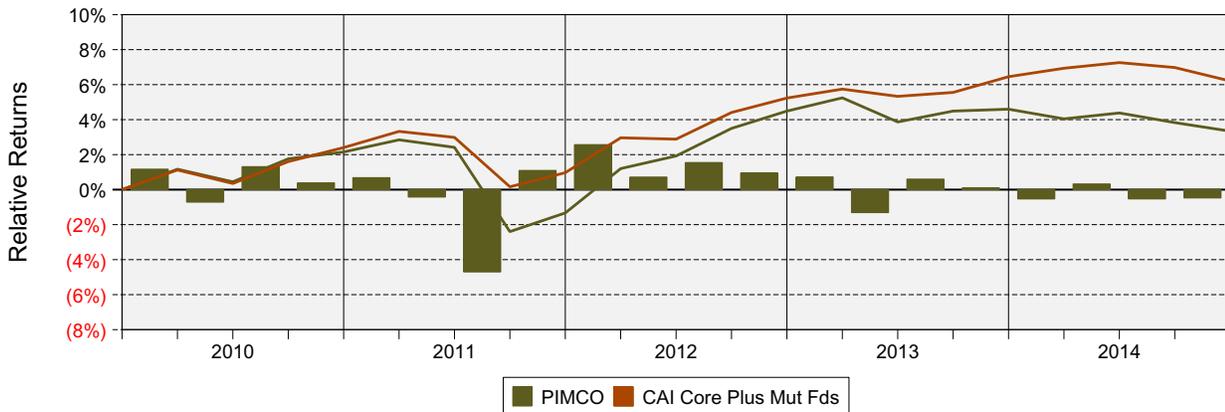
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

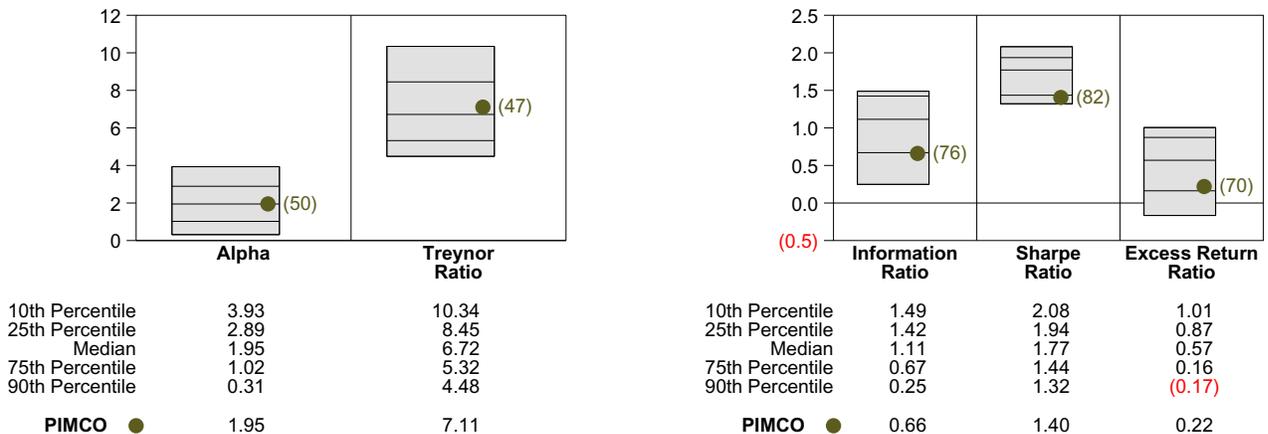
### Performance vs CAI MF - Core Plus Style (Net)



### Cumulative and Quarterly Relative Return vs Barclays Aggregate Index



### Risk Adjusted Return Measures vs Barclays Aggregate Index Rankings Against CAI MF - Core Plus Style (Net) Five Years Ended December 31, 2014

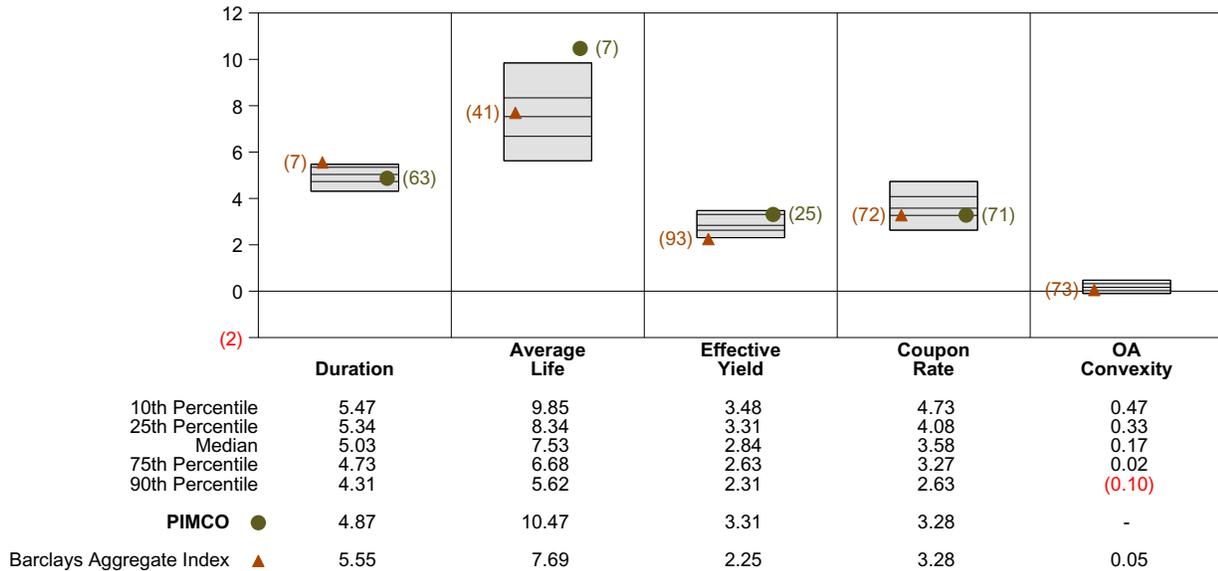


# PIMCO Bond Characteristics Analysis Summary

## Portfolio Characteristics

This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

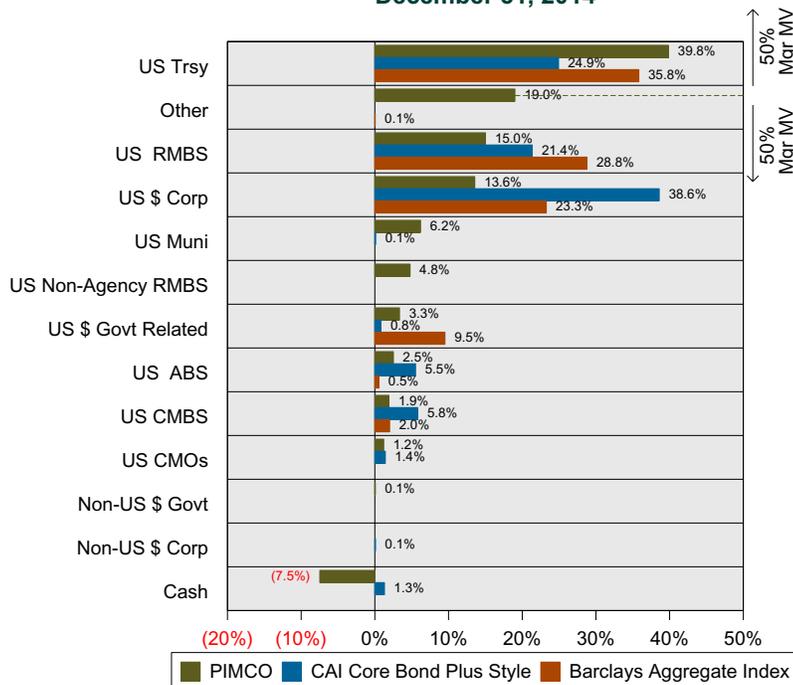
## Fixed Income Portfolio Characteristics Rankings Against CAI Core Bond Plus Style as of December 31, 2014



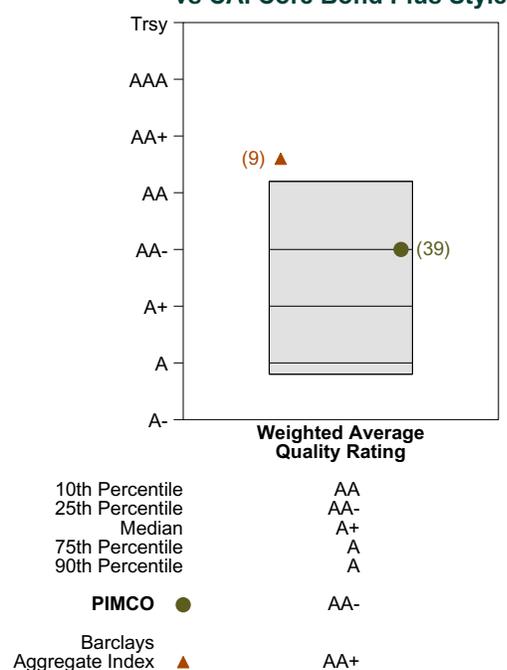
## Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.

### Sector Allocation December 31, 2014



### Quality Ratings vs CAI Core Bond Plus Style





# RREEF Public

## Period Ended December 31, 2014

### Investment Philosophy

RREEF Public Fund invests in Real Estate Investment Trusts (REITs) and Real Estate Operating Companies (REOCs) using an active top down component accompanied with detailed bottom up analysis. RREEF believes underlying real estate fundamentals drive real estate securities returns and that proprietary research and deep resources can capitalize on market inefficiencies.

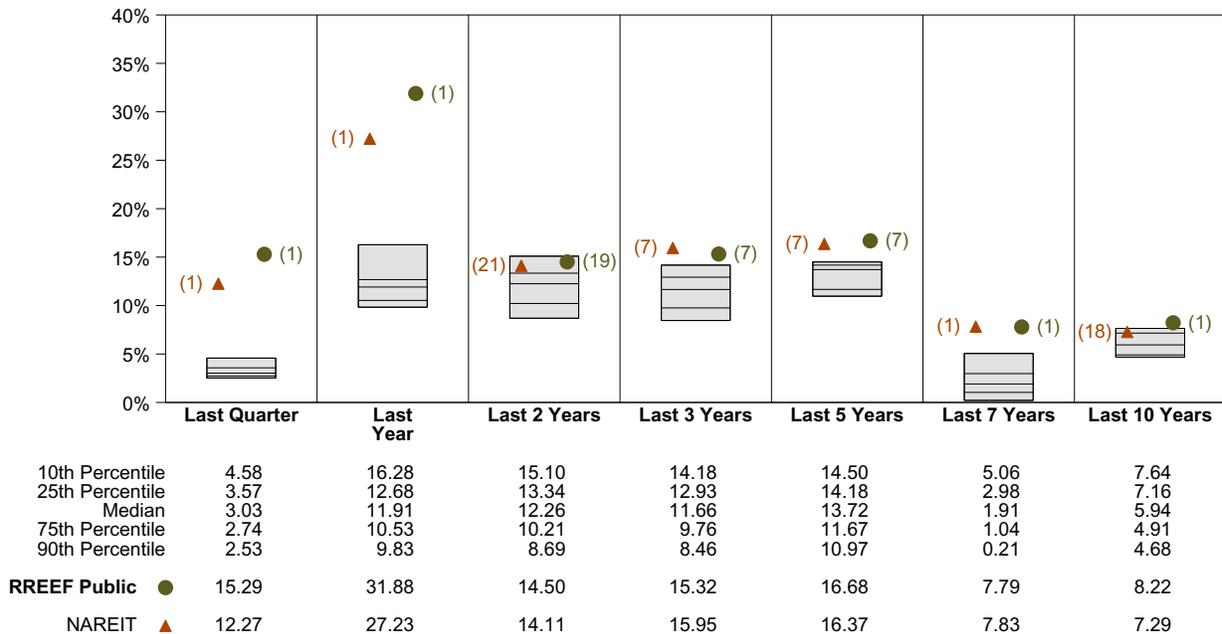
### Quarterly Summary and Highlights

- RREEF Public's portfolio posted a 15.29% return for the quarter placing it in the 1 percentile of the CAI Open-End Real Estate Funds group for the quarter and in the 1 percentile for the last year.
- RREEF Public's portfolio outperformed the NAREIT by 3.02% for the quarter and outperformed the NAREIT for the year by 4.66%.

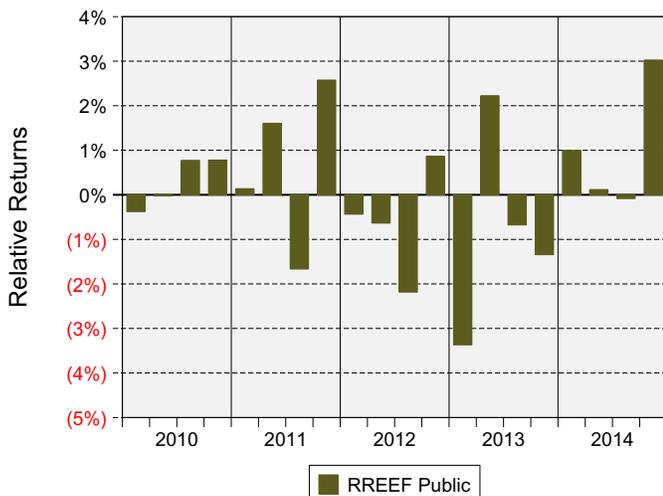
### Quarterly Asset Growth

|                           |             |
|---------------------------|-------------|
| Beginning Market Value    | \$7,416,016 |
| Net New Investment        | \$0         |
| Investment Gains/(Losses) | \$1,133,952 |
| Ending Market Value       | \$8,549,968 |

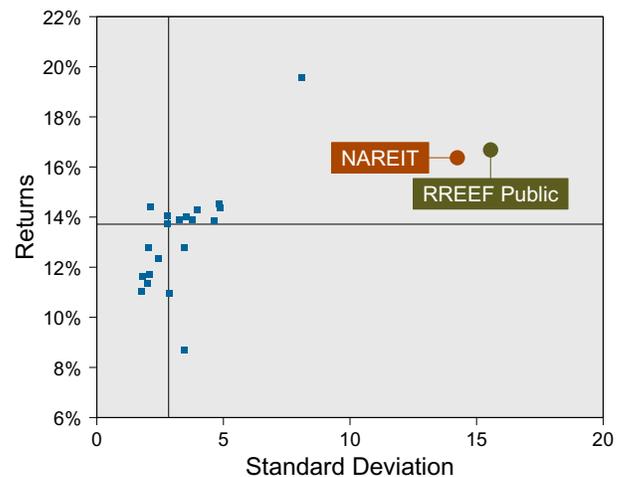
### Performance vs CAI Open-End Real Estate Funds (Net)



### Relative Return vs NAREIT



### CAI Open-End Real Estate Funds (Net) Annualized Five Year Risk vs Return



# RREEF Private

## Period Ended December 31, 2014

### Investment Philosophy

RREEF America II acquires 100 percent equity interests in small- to medium-sized (\$10 million to \$70 million) apartment, industrial, retail and office properties in targeted metropolitan areas within the continental United States. The fund capitalizes on RREEF's national research capabilities and market presence to identify superior investment opportunities in major metropolitan areas across the United States.

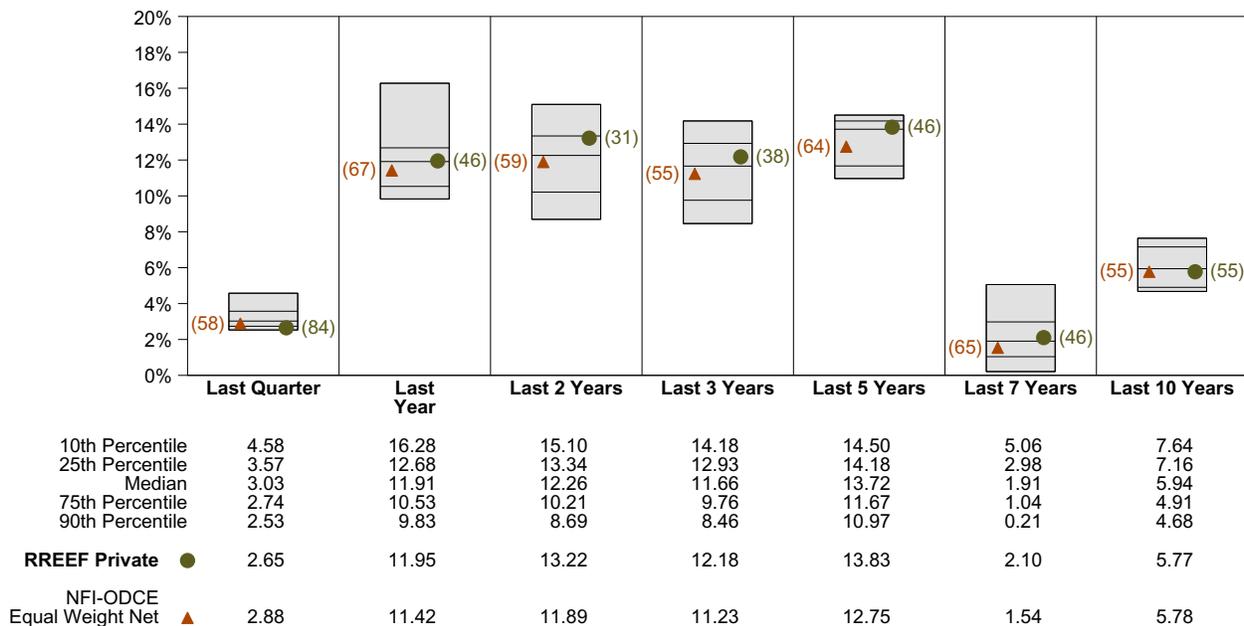
### Quarterly Summary and Highlights

- RREEF Private's portfolio posted a 2.65% return for the quarter placing it in the 84 percentile of the CAI Open-End Real Estate Funds group for the quarter and in the 46 percentile for the last year.
- RREEF Private's portfolio underperformed the NFI-ODCE Equal Weight Net by 0.23% for the quarter and outperformed the NFI-ODCE Equal Weight Net for the year by 0.53%.

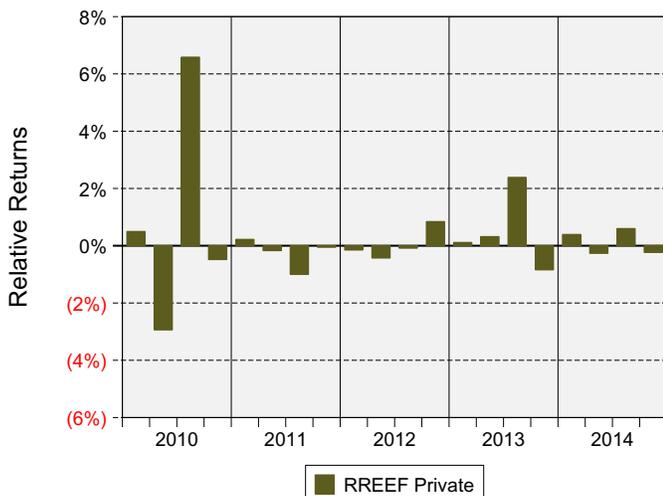
### Quarterly Asset Growth

|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$17,116,834 |
| Net New Investment        | \$0          |
| Investment Gains/(Losses) | \$453,486    |
| Ending Market Value       | \$17,570,320 |

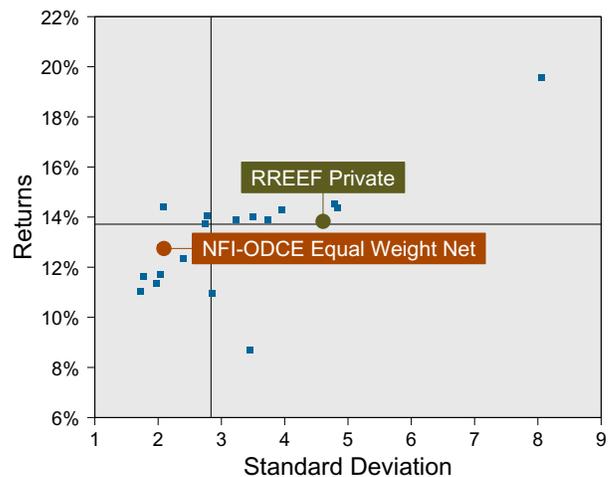
### Performance vs CAI Open-End Real Estate Funds (Net)



### Relative Returns vs NFI-ODCE Equal Weight Net



### CAI Open-End Real Estate Funds (Net) Annualized Five Year Risk vs Return



# Cornerstone Patriot Fund Period Ended December 31, 2014

## Investment Philosophy

Cornerstone believes that the investment strategy for the Patriot Fund is unique with the goal of achieving returns in excess of the benchmark index, the NFI-ODCE Index, with a level of risk associated with a core fund. The construct of the Fund relies heavily on input from Cornerstone Research, which provided the fundamentals for the investment strategy. Strategic targets and fund exposure which differentiate the Fund from its competitors with respect to both its geographic and property type weightings, and we believe will result in performance in excess of industry benchmarks over the long-term.

## Quarterly Summary and Highlights

- Cornerstone Patriot Fund's portfolio posted a 1.64% return for the quarter placing it in the 99 percentile of the CAI Open-End Real Estate Funds group for the quarter and in the 97 percentile for the last year.
- Cornerstone Patriot Fund's portfolio underperformed the NFI-ODCE Equal Weight Net by 1.25% for the quarter and underperformed the NFI-ODCE Equal Weight Net for the year by 2.78%.

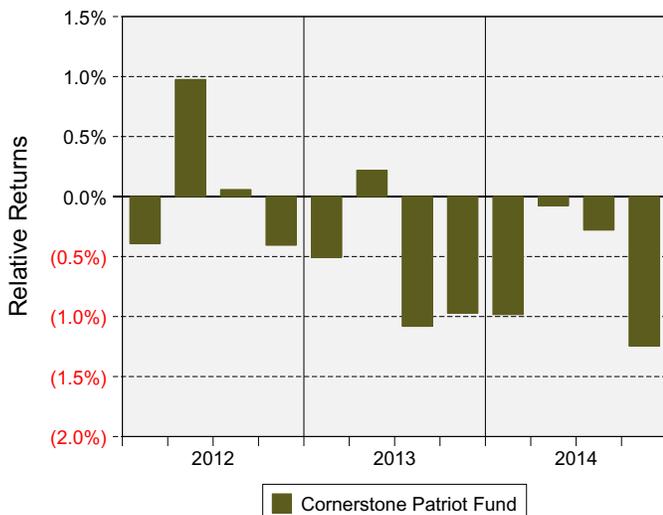
## Quarterly Asset Growth

|                           |              |
|---------------------------|--------------|
| Beginning Market Value    | \$12,933,478 |
| Net New Investment        | \$0          |
| Investment Gains/(Losses) | \$211,788    |
| Ending Market Value       | \$13,145,266 |

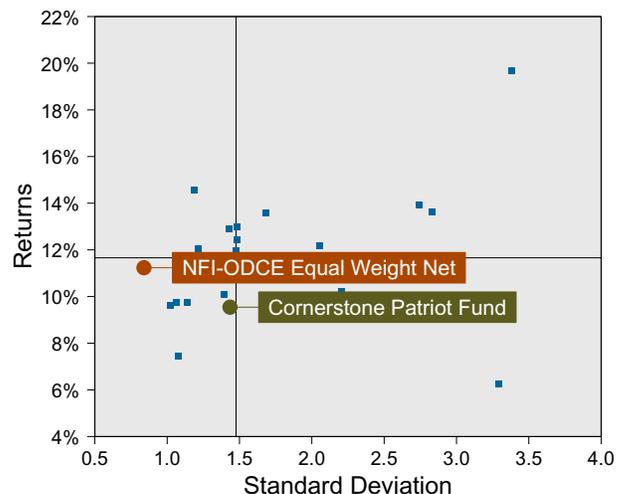
## Performance vs CAI Open-End Real Estate Funds (Net)



## Relative Returns vs NFI-ODCE Equal Weight Net



## CAI Open-End Real Estate Funds (Net) Annualized Three Year Risk vs Return





## Research and Educational Programs

The Callan Investments Institute provides research that keeps clients updated on the latest industry trends while helping them learn through carefully structured educational programs. Below are the Institute's recent publications—all of which can be found at [www.callan.com/research](http://www.callan.com/research).

### White Papers



#### Emerging Managers: Small Firms with Big Ideas

In this interview, Callan's Uvan Tseng and Lauren Mathias discuss trends and issues in the emerging manager arena. (Also see our related video: "Manager Trends: Emerging Managers and Minority, Women, and Disabled-owned Firms.")



#### Managing DC Plan Investments: A Fiduciary Handbook

In this handbook, Lori Lucas covers eight key areas of responsibility for DC plan fiduciaries, including investment structure, Investment Policy Statement, QDIA oversight, and others. We also include a customizable "Fiduciary Checklist."



#### What Do Money Market Reforms Mean for Investors? A Roundtable Discussion with Callan Experts

In July 2014, the SEC adopted amendments to the rules that govern money market mutual funds. The amendments address the risks of an investor run on money market funds, while seeking to preserve the benefits of these funds.



#### Real Estate Grows Greener: Environmental Sustainability within Institutional Real Estate Investment

Sarah Angus shares commonly held sentiments on the rationale for utilizing environmentally sustainable practices in real estate management. She provides an overview of influential organizations and key trends in the institutional real estate investment industry.

## Quarterly Publications

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**DC Observer & Callan DC Index™:** A quarterly newsletter that offers Callan's observations on a variety of topics pertaining to the defined contribution industry. Each issue is updated with the latest Callan DC Index™ returns.

**Capital Market Review:** A quarterly macroeconomic indicator newsletter that provides thoughtful insights on the economy as well as recent performance in the equity, fixed income, alternatives, international, real estate, and other capital markets.

**Hedge Fund Monitor:** A quarterly newsletter that provides a current view of hedge fund industry trends and detailed quarterly performance commentary.

**Private Markets Trends:** A seasonal newsletter that discusses the market environment, recent events, performance, and other issues involving private equity.

**Quarterly Data:** The Market Pulse reference guide covers the U.S. economy and investment trends in domestic and international equities and fixed income, and alternatives. Our Inside Callan's Database report provides performance information gathered from Callan's proprietary database, allowing you to compare your funds with your peers.

**Real Assets Reporter:** A recurring newsletter that offers Callan's data and insights on real estate and other real asset investment topics.

## Surveys

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### ESG Interest and Implementation Survey

Callan conducted a brief survey to assess the status of ESG, including responsible and sustainable investment strategies and SRI, in the U.S. institutional market. We collected responses from 211 U.S. funds representing approximately \$1.4 trillion in assets.



### 2014 Investment Management Fee Survey

This survey captures institutional investment management fee payment practices and trends. We supplemented survey data (from 72 fund sponsors, \$859 billion in assets and 211 investment managers, \$15 trillion in AUM) with information from Callan's proprietary databases to establish the trends observed in this report. Callan conducted similar surveys in 2004, 2006, 2009, and 2011.



### 2014 DC Trends Survey

This annual survey presents findings such as: Plan sponsors made changes to target date funds in 2013 and will continue to do so in 2014; Passive investment offerings are increasingly common in the core investment lineup; Plan fees continue to be subject to considerable downward pressure; Retirement income solutions made little headway in 2013; and much more.



### 2013 Cost of Doing Business Survey

Callan compares the costs of administering funds and trusts across all types of tax-exempt and tax-qualified organizations in the U.S., and we identify ways to help institutional investors manage expenses. We fielded this survey in April and May of 2013. The results incorporate responses from 49 fund sponsors representing \$219 billion in assets.

## Events

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Did you miss out on a Callan conference or workshop? If so, you can catch up on what you missed by reading our “Event Summaries” and downloading the actual presentation slides from our website. Our most recent programs:



**October 2014 Regional Workshop, *The Education of Beta*:** An exploration of smart beta strategies, or alternatives to traditional cap-weighted indices. Our speakers were Angel Haddad; Gene Podkaminer, CFA; and Mark Stahl, CFA.



**June 2014 Regional Workshop, *Policy Implementation Decisions*:** A discussion of portfolio biases and the challenges therein. We looked at the common biases, how they’ve worked (or not) for the portfolio, and evaluating time horizons. Our speakers were Jay Kloepfer, Andy Iseri, and Mike Swinney.

## Upcoming Educational Programs

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### **The 35th National Conference**

January 26–28, 2015 in San Francisco

Speakers include: Erskine Bowles, Alan Simpson, Maddy Dychtwald, Gary Locke, Daniel Pink, Philippe Cousteau, and the 2015 Capital Markets Panel. Workshops on active share, retirement in America, endowments and foundations, and DC plan fees.

### **June and October 2015 Regional Workshops**

Dates and locations TBA

**Our research can be found at [www.callan.com/research](http://www.callan.com/research) or feel free to contact us for hard copies.**

**For more information about research or educational events, please contact Ray Combs or Gina Falsetto at [institute@callan.com](mailto:institute@callan.com) or 415-974-5060.**

## The Center for Investment Training Educational Sessions

This educational forum offers basic-to-intermediate level instruction on all components of the investment management process. The "Callan College" courses cover topics that are key to understanding your responsibilities, the roles of everyone involved in this process, how the process works, and how to incorporate these strategies and concepts into an investment program. Listed below are the 2015 dates.

### An Introduction to Investments

**April 14-15, 2015 in Atlanta**

**July 21-22, 2015 in San Francisco**

**October 27-28, 2015 in Chicago**

This one-and-one-half-day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. The session will familiarize fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices.

Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment session structures. The session includes:

- A description of the different parties involved in the investment management process, including their roles and responsibilities
- A brief outline of the types and characteristics of different plans (e.g., defined benefit, defined contribution, endowments, foundations, operating funds)
- An introduction to fiduciary issues as they pertain to fund management and oversight
- An overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment sessions

Tuition for the Introductory "Callan College" session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

### Customized Sessions

A unique feature of the "Callan College" is its ability to educate on a specialized level through its customized sessions. These sessions are tailored to meet the training and educational needs of the participants, whether you are a plan sponsor or you provide services to institutional tax-exempt plans. Past customized "Callan College" sessions have covered topics such as: custody, industry trends, sales and marketing, client service, international, fixed income, and managing the RFP process. Instruction can be tailored to be basic or advanced.

**For more information please contact Kathleen Cunnie, at 415.274.3029 or [cunnie@callan.com](mailto:cunnie@callan.com).**



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## Equity Market Indicators

The market indicators included in this report are regarded as measures of equity or fixed income performance results. The returns shown reflect both income and capital appreciation.

**Russell 1000 Growth** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 1000 Value** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

**Russell 2000 Growth** contains those Russell 2000 securities with a greater than average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earning ratios, lower dividend yields and higher forecasted growth values than the Value universe.

**Russell 2000 Value** contains those Russell 2000 securities with a less than average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earning ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

**Russell 3000 Index** is a composite of 3,000 of the largest U.S. companies by market capitalization. The smallest company's market capitalization is roughly \$20 million and the largest is \$72.5 billion. The index is capitalization-weighted.

**Russell Mid Cap Growth** measures the performance of those Russell Mid Cap Companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.

**Russell MidCap Value Index** The Russell MidCap Value index contains those Russell MidCap securities with a less than average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratio, higher dividend yields and lower forecasted growth values than the Growth universe.

**Standard & Poor's 500 Index** is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index is capitalization-weighted, with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

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## Fixed Income Market Indicators

**Barclays Aggregate Bond Index** is a combination of the Mortgage Backed Securities Index and the intermediate and long-term components of the Government/Credit Bond Index.

**The NAREIT Composite Index** is a REIT index that includes all REITs currently trading on the NYSE, NASDAQ, or American Stock Exchange.

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## International Equity Market Indicators

**MSCI ACWI ex US Index** The MSCI ACWI ex US(All Country World Index) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the US. As of May 27, 2010 the MSCI ACWI consisted of 45 country indices comprising 24 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

**Morgan Stanley Capital International (MSCI) EAFE Index** is composed of approximately 1000 equity securities representing the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is capitalization-weighted and is expressed in terms of U.S. dollars.

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## Real Estate Market Indicators

**NCREIF Open Ended Diversified Core Equity** The NFI-ODCE is an equally-weighted, net of fee, time-weighted return index with an inception date of December 31, 1977. Equally-weighting the funds shows what the results would be if all funds were treated equally, regardless of size. Open-end Funds are generally defined as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests, thereby providing a degree of potential investment liquidity. The term Diversified Core Equity style typically reflects lower risk investment strategies utilizing low leverage and generally represented by equity ownership positions in stable U.S. operating properties.

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## Callan Associates Databases

In order to provide comparative investment results for use in evaluating a fund's performance, Callan Associates gathers rate of return data from investment managers. These data are then grouped by type of assets managed and by the type of investment manager. Except for mutual funds, the results are for tax-exempt fund assets. The databases, excluding mutual funds, represent investment managers who handle over 80% of all tax-exempt fund assets.

### Equity Funds

Equity funds concentrate their investments in common stocks and convertible securities. The funds included maintain well-diversified portfolios.

**Core Equity** - Mutual funds whose portfolio holdings and characteristics are similar to that of the broader market as represented by the Standard & Poor's 500 Index, with the objective of adding value over and above the index, typically from sector or issue selection. The core portfolio exhibits similar risk characteristics to the broad market as measured by low residual risk with Beta and R-Squared close to 1.00.

**Large Cap Growth** - Mutual Funds that invest mainly in large companies that are expected to have above average prospects for long-term growth in earnings and profitability. Future growth prospects take precedence over valuation levels in the stock selection process. Invests in companies with P/E ratios, Price-to-Book values, Return-on-Assets values, Growth-in-Earnings values above the broader market. The companies typically have zero dividends or dividend yields below the broader market. Invests in securities which exhibit greater volatility than the broader market as measured by the securities' Beta and Standard Deviation.

**Large Cap Value** - Mutual funds that invest in predominantly large capitalization companies believed to be currently undervalued in the general market. The companies are expected to have a near-term earnings rebound and eventual realization of expected value. Valuation issues take precedence over near-term earnings prospects in the stock selection process. Invests in companies with P/E ratios and Price-to-Book values below the broader market. Usually exhibits lower risk than the broader market as measured by the Beta and Standard Deviation.

**Non-U.S. Equity** A broad array of active managers who employ various strategies to invest assets in a well-diversified portfolio of non-U.S. equity securities. This group consists of all Core, Core Plus, Growth, and Value international products, as well as products using various mixtures of these strategies. Region-specific, index, emerging market, or small cap products are excluded.

**Non-U.S. Equity Style Mutual Funds** - Mutual funds that invest their assets only in non-U.S. equity securities but exclude regional and index funds.

**Small Capitalization (Growth)** - Mutual funds that invest in small capitalization companies that are expected to have above average prospects for long-term growth in earnings and profitability. Future growth prospects take precedence over valuation levels in the stock selection process. Invests in companies with P/E ratios, Price-to-Book values, and Growth-in-Earnings values above the broader market as well as the small capitalization market segment. The companies typically have zero dividends or dividend yields below the broader market. The securities exhibit greater volatility than the broader market as well as the small capitalization market segment as measured by the risk statistics beta and standard deviation.

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## Callan Associates Databases

**Small Capitalization (Value)** - Mutual funds that invest in small capitalization companies that are believed to be currently undervalued in the general market. Valuation issues take precedence over near-term earnings prospects in the stock selection process. The companies are expected to have a near-term earnings rebound and eventual realization of expected value. Invests in companies with P/E ratios, Return-on-Equity values, and Price-to-Book values below the broader market as well as the small capitalization market segment. The companies typically have dividend yields in the high range for the small capitalization market. Invests in securities with risk/reward profiles in the lower risk range of the small capitalization market.

### Fixed Income Funds

Fixed Income funds concentrate their investments in bonds, preferred stocks, and money market securities. The funds included maintain well-diversified portfolios.

**Core Bond** - Mutual Funds that construct portfolios to approximate the investment results of the Barclays Capital Government/Credit Bond Index or the Barclays Capital Aggregate Bond Index with a modest amount of variability in duration around the index. The objective is to achieve value added from sector and/or issue selection.

**Core Bond** - Managers who construct portfolios to approximate the investment results of the Barclays Capital Government/Credit Bond Index or the Barclays Capital Aggregate Bond Index with a modest amount of variability in duration around the index. The objective is to achieve value added from sector and/or issue selection.

**Core Plus Bond** - Active managers whose objective is to add value by tactically allocating significant portions of their portfolios among non-benchmark sectors (e.g. high yield corporate, non-US\$ bonds, etc.) while maintaining majority exposure similar to the broad market.

### Real Estate Funds

Real estate funds consist of open or closed-end commingled funds. The returns are net of fees and represent the overall performance of commingled institutional capital invested in real estate properties.

**Real Estate Open-End Commingled Funds** - The Open-End Funds Database consists of all open-end commingled real estate funds.

### Other Funds

**Public - Total** - consists of return and asset allocation information for public pension funds at the city, county and state level. The database is made up of Callan clients and non-clients.



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| Manager Name  | Educational Services | Consulting Services |
|---|----------------------|---------------------|
| 1607 Capital Partners, LLC                          |                      | Y                   |
| Aberdeen Asset Management                           | Y                    | Y                   |
| Acadian Asset Management, Inc.                      | Y                    |                     |
| Advisory Research                                   | Y                    |                     |
| Affiliated Managers Group                           |                      | Y                   |
| AllianceBernstein                                   | Y                    |                     |
| Allianz Global Investors U.S. LLC                   | Y                    | Y                   |
| Allianz Life Insurance Company of North America     |                      | Y                   |
| Altrinsic Global Advisors, LLC                      |                      | Y                   |
| American Century Investment Management              | Y                    |                     |
| Apollo Global Management                            | Y                    |                     |
| AQR Capital Management                              | Y                    |                     |
| Ares Management                                     | Y                    |                     |
| Ariel Investments                                   | Y                    |                     |
| Aristotle Capital Management                        | Y                    |                     |
| Aronson + Johnson + Ortiz                           | Y                    |                     |
| Artisan Holdings                                    |                      | Y                   |
| Atlanta Capital Management Co., L.L.C.              | Y                    | Y                   |
| Asset Strategy Consultants                          | Y                    |                     |
| AXA Rosenberg Investment Management                 | Y                    |                     |
| Babson Capital Management LLC                       | Y                    |                     |
| Baillie Gifford International LLC                   | Y                    | Y                   |
| Baird Advisors                                      | Y                    | Y                   |
| Bank of America                                     |                      | Y                   |
| Baring Asset Management                             | Y                    |                     |
| Barrow, Hanley, Mewhinney & Strauss, Inc.           | Y                    | Y                   |
| BlackRock   | Y                    |                     |
| BMO Asset Management                                | Y                    |                     |
| BNP Paribas Investment Partners                     | Y                    |                     |
| BNY Mellon Asset Management                         | Y                    | Y                   |
| Boston Company Asset Management, LLC (The)          | Y                    | Y                   |
| Boston Partners ( aka Robeco Investment Management) | Y                    | Y                   |
| Brandes Investment Partners, L.P.                   | Y                    | Y                   |
| Brandywine Global Investment Management, LLC        | Y                    |                     |
| Brown Brothers Harriman & Company                   | Y                    |                     |

## List of Managers That Do Business with Callan Associates Inc. (continued)

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|  |   |   |
|--|---|---|
| Cadence Capital Management                                   | Y |   |
| Capital Group  | Y |   |
| CastleArk Management, LLC                                    |   | Y |
| Causeway Capital Management                                  | Y |   |
| Central Plains Advisors, Inc.                                |   | Y |
| Chandler Asset Management                                    | Y |   |
| Chartwell Investment Partners                                | Y |   |
| ClearBridge Investments, LLC (fka ClearBridge Advisors)      | Y |   |
| Cohen & Steers   | Y | Y |
| Columbia Management Investment Advisors, LLC                 | Y | Y |
| Columbus Circle Investors                                    | Y | Y |
| Corbin Capital Partners                                      | Y |   |
| Cornerstone Capital Management Holdings (fka Madison Square) | Y |   |
| Cornerstone Investment Partners, LLC                         | Y |   |
| Cramer Rosenthal McGlynn, LLC                                | Y |   |
| Crawford Investment Council                                  |   | Y |
| Credit Suisse Asset Management                               | Y |   |
| Crestline Investors  | Y | Y |
| Cutwater Asset Management                                    | Y |   |
| DB Advisors  | Y | Y |
| Delaware Investments   | Y | Y |
| DePrince, Race & Zollo, Inc.                                 | Y | Y |
| Deutsche Asset & Wealth Management                           | Y | Y |
| Diamond Hill Investments                                     | Y |   |
| DSM Capital Partners   |   | Y |
| Duff & Phelps Investment Mgmt.                               | Y | Y |
| Eagle Asset Management, Inc.                                 |   | Y |
| EARNEST Partners, LLC  | Y |   |
| Eaton Vance Management                                       | Y | Y |
| Epoch Investment Partners                                    | Y |   |
| Fayez Sarofim & Company                                      |   | Y |
| Federated Investors  |   | Y |
| First Eagle Investment Management                            | Y |   |
| First State Investments                                      | Y |   |
| Fisher Investments   | Y |   |
| Franklin Templeton   | Y | Y |
| Fred Alger Management Co., Inc.                              | Y |   |
| Fuller & Thaler Asset Management                             | Y |   |
| GAM (USA) Inc.   | Y |   |
| GE Asset Management  | Y | Y |
| Geneva Capital Management                                    | Y |   |
| Goldman Sachs Asset Management                               | Y | Y |
| Grand-Jean Capital Management                                | Y | Y |
| GMO (fka Grantham, Mayo, Van Otterloo & Co., LLC)            | Y |   |
| Great Lakes Advisors, Inc.                                   |   | Y |
| The Guardian Life Insurance Company of America               |   | Y |

## List of Managers That Do Business with Callan Associates Inc. (continued)

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|   |   |   |
|---|---|---|
| Guggenheim Investments Asset Management (fka Security Global) | Y |   |
| GW&K Investment Management                                    | Y |   |
| Hancock National Resources Group                              | Y |   |
| Harris Associates   | Y |   |
| Harbor Capital  |   | Y |
| Hartford Investment Management Co.                            | Y | Y |
| Heightman Capital Management Corporation                      |   | Y |
| Henderson Global Investors                                    | Y | Y |
| Hotchkis & Wiley  | Y |   |
| Impax Asset Management Limited                                | Y |   |
| Income Research & Management                                  | Y |   |
| Industry Funds Management                                     | Y |   |
| Insight Investment Management                                 |   | Y |
| Institutional Capital LLC                                     | Y |   |
| INTECH Investment Management                                  | Y |   |
| Invesco   | Y | Y |
| Investment Management of Virginia                             | Y |   |
| Investec Asset Management                                     | Y |   |
| Jacobs Levy Equity Management                                 |   | Y |
| Janus Capital Group (fka Janus Capital Management, LLC)       | Y | Y |
| Jensen Investment Management                                  |   | Y |
| J.M. Hartwell   | Y |   |
| J.P. Morgan Asset Management                                  | Y | Y |
| KeyCorp   |   | Y |
| Lazard Asset Management                                       | Y | Y |
| Lee Munder Capital Group                                      | Y |   |
| Lincoln National Corporation                                  |   | Y |
| Logan Circle Partners, L.P.                                   | Y |   |
| Longview Partners   | Y |   |
| Loomis, Sayles & Company, L.P.                                | Y | Y |
| Lord Abbett & Company   | Y | Y |
| Los Angeles Capital Management                                | Y |   |
| LSV Asset Management  | Y |   |
| Lyrical Partners  | Y |   |
| MacKay Shields LLC  | Y | Y |
| Man Investments   | Y |   |
| Manulife Asset Management                                     | Y |   |
| Martin Currie   | Y |   |
| Marvin & Palmer Associates, Inc.                              | Y |   |
| Mellon Capital Management                                     | Y |   |
| MFS Investment Management                                     | Y | Y |
| MidFirst Bank   |   | Y |
| Mondrian Investment Partners Limited                          | Y | Y |
| Montag & Caldwell, Inc.                                       | Y | Y |
| Morgan Stanley Alternative Investment Partners                | Y |   |
| Morgan Stanley Investment Management                          | Y | Y |

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|   |   |   |
|---|---|---|
| Mountain Lake Investment Management LLC             |   | Y |
| MUFG Union Bank, N.A.                               |   | Y |
| Neuberger Berman, LLC (fka, Lehman Brothers)        | Y | Y |
| Newton Capital Management                           | Y |   |
| Northern Lights Capital Group                       |   | Y |
| Northern Trust Global Investment Services           | Y | Y |
| Nuveen Investments Institutional Services Group LLC | Y |   |
| Old Mutual Asset Management                         | Y | Y |
| OppenheimerFunds, Inc.                              | Y |   |
| O'Shaughnessy Asset Management, LLC                 | Y |   |
| Pacific Investment Management Company               | Y |   |
| Palisade Capital Management LLC                     | Y |   |
| Parametric Portfolio Associates                     | Y |   |
| Peregrine Capital Management, Inc.                  | Y | Y |
| Philadelphia International Advisors, LP             | Y |   |
| PineBridge Investments (formerly AIG)               | Y |   |
| Pinnacle Asset Management                           | Y |   |
| Pioneer Investment Management, Inc.                 | Y |   |
| PNC Capital Advisors (fka Allegiant Asset Mgmt)     | Y | Y |
| Polen Capital Management                            | Y |   |
| Post Advisory                                       | Y |   |
| Principal Financial Group                           |   | Y |
| Principal Global Investors                          | Y | Y |
| Private Advisors                                    | Y |   |
| Prudential Fixed Income Management                  | Y |   |
| Prudential Investment Management, Inc.              | Y | Y |
| Putnam Investments, LLC                             | Y | Y |
| Pyramis Global Advisors                             | Y |   |
| Rainier Investment Management                       | Y |   |
| RBC Global Asset Management (U.S.) Inc.             | Y | Y |
| Research Affiliates                                 |   | Y |
| Regions Financial Corporation                       |   | Y |
| RCM   |   | Y |
| Robeco Investment Management (aka Boston Partners)  | Y | Y |
| Rothschild Asset Management, Inc.                   | Y | Y |
| RS Investments                                      | Y |   |
| Russell Investment Management                       | Y |   |
| Santander Global Facilities                         |   | Y |
| Schroder Investment Management North America Inc.   | Y | Y |
| Scout Investments                                   | Y |   |
| SEI Investments                                     |   | Y |
| SEIX Investment Advisors, Inc.                      | Y |   |
| Select Equity Group                                 | Y |   |
| Silvercrest Asset Management Company                | Y |   |
| Smith Graham and Company                            |   | Y |

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|  |   |   |
|--|---|---|
| Smith Group Asset Management                               |   | Y |
| Standard Life Investments                                  | Y |   |
| Standish (fka, Standish Mellon Asset Management)           | Y |   |
| State Street Global Advisors                               | Y |   |
| Stone Harbor Investment Partners, L.P.                     | Y | Y |
| Systematic Financial Management                            | Y |   |
| T. Rowe Price Associates, Inc.                             | Y | Y |
| Taplin, Canida & Habacht                                   | Y |   |
| TCW Asset Management Company                               | Y |   |
| UBS  | Y | Y |
| Van Eck  | Y |   |
| Victory Capital Management Inc.                            | Y |   |
| Voya Investment Management (fka ING Investment Management) | Y | Y |
| Vulcan Value Partners, LLC                                 |   | Y |
| Waddell & Reed Asset Management Group                      | Y | Y |
| Wall Street Associates                                     | Y |   |
| WCM Investment Management                                  | Y |   |
| WEDGE Capital Management                                   |   | Y |
| Wellington Management Company, LLP                         | Y |   |
| Wells Capital Management                                   | Y |   |
| Western Asset Management Company                           | Y |   |
| William Blair & Co., Inc.                                  | Y | Y |