CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND BOARD

RETIREE HEALTH CARE TRUST FUND
BOARD CALENDAR SHEET
Board Meeting of February 5, 2018

TO: Retiree Health Care Trust Fund Board

THROUGH: Caryn Bortnick CB
SFERS Deputy Executive Director

From: William Coaker
SFERS Chief Investment Officer

DATE: February 5, 2018

Agenda Item

Approve Recommendation to Invest Up to $37.4 Million with GQG Partners to Manage the Emerging Markets Equity Strategy.

Background

At its November 27, 2017 meeting, the Board approved an emerging markets equity strategy. The Board directed Meketa Investment Group, its investment consultant, to conduct a search for a manager to implement the strategy. The results of Meketa's search are attached.

Meketa recommends that the RHCTF retain GQG Partners to manage the emerging markets equity strategy. Investment staff has reviewed Meketa's materials which describe its due diligence process and analysis and concur with their recommendation to hire GQG Partners.

Recommendation

Approve Recommendation to Invest Up to $37.4 Million with GQG Partners to Manage the Emerging Markets Equity Strategy.

Attachments

Meketa Investment Group's summary of its emerging markets equity manager search.

San Francisco Retiree Healthcare Trust Fund

Emerging Markets Equity Manager Search

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Background

- The newly adopted asset allocation policy for the Trust includes a 16% allocation to Emerging Markets Equity.
- Pending contract negotiations, Meketa would plan to fully fund the emerging markets equity allocation in three tranches, done over a six month period, with completion targeted prior to third quarter 2018.
- This document provides a summary of the search process and highlights two strategies for the Board's consideration.
  - Artisan Partners Developing World
  - GQG Partners Emerging Markets Equity
- The approximate allocation from each of the portfolios to Emerging Markets Equity is:
  - San Francisco Retiree Health Care Trust Fund: $35.2 mm
  - San Francisco Community College District Health Care Trust Fund: $2.2 mm
- **ACTION ITEM:** Approve Emerging Markets Equity strategy for each portfolio.

Manager Due Diligence Process Introduction

- Selecting strong and appropriate investment managers is a key determinant of the overall success of the Fund. While they are expected to operate within a client's investment guidelines, investment managers are given a large degree of latitude to achieve the investment objectives.
- Manager selection is a nuanced process and requires extensive due diligence. When selecting prospective active managers, Meketa Investment Group evaluates the following areas:
  - Organization
  - Investment team
  - Investment philosophy
  - Investment process
  - Investment performance
  - Management fees
- In addition, all managers are evaluated within the context of the Fund's overall investment policy.

Manager Evaluation Criteria

Organization

- While there is no single "correct" way to organize an asset management effort, we believe that the ideal investment management organization possesses most of the following elements:
  - Focused on a single investment style or a focused team within a larger organization
  - Appropriately sized for the firm's assets under management, with a reasonable growth plan and a willingness to close capacity-constrained strategies
  - Stable, investment driven, independent, and employee-owned (or majority employee-owned)
  - Performance driven with a team-oriented, supportive culture
  - Organized in such a way to ensure that information flows efficiently so that investment decisions can be made easily and, if necessary, quickly
  - Financially and operationally sound

Manager Evaluation Criteria (continued)

Investment Team

- Members of the investment team responsible for managing the strategy are evaluated in order to assess their competitive "edge" and to determine if they will be able to add value in the future. In a profession where intellectual capital is the greatest differentiator between managers, an investment strategy is only as good as the people behind it.
- During the course of our due diligence, we review the background of each member of the team. We want to know what motivated these individuals to work in asset management and, in particular, emerging markets equities, what experience they bring, and how long they have been in the industry.
- Specific qualities that we believe make a good investor are intelligence, inquisitiveness, analytical ability, and natural skepticism. A command of the details and an ability to assimilate lots of information, yet tie the information together and make a decision, are valued. Through the interview process, we seek to understand how a manager thinks about stocks, the global capital markets, broadly, and their portfolio.
- In this asset class, it is important that investment teams have sufficient resources allocated to evaluating the emerging markets both from the top-down and bottom-up. Capable managers will commit resources to both macroeconomic-oriented factors and bottom-up, fundamental research.
- Significant time is spent evaluating how the investment team interacts, their tenure together and their depth. Although some firms have been successful using the generalist model, we prefer specialization. Our belief is that there is value in having analysts with specific regional or sector expertise who have experience in markets through multiple cycles.
- Compensation structure and incentives are also analyzed. The investment team should be incented to place the interests of the client first and to maximize performance while assuming an appropriate level of risk.

Manager Evaluation Criteria (continued)

Investment Philosophy

- An investment philosophy is a set of beliefs about what factors drive changes in stock prices, what factors cause securities to be mispriced, and how security mispricing can be exploited through active management. A manager's investment philosophy also incorporates their beliefs about what their competitive edge is and how they distinguish themselves from their peers.
- We try to find managers who have a clear investment philosophy, and who can articulate how they are able to identify, and successfully execute on, exploitable investment opportunities, over the course of varying market cycles. Understanding where this philosophy comes from, how it has evolved over time, and how the manager identifies and selects attractive investments using their research process are very important. Some managers may not have formally thought about their philosophy, and are therefore not able to articulate what they believe. Their philosophy often becomes evident when they explain their investment process and discuss the stocks they own in their portfolio.
- Another element of a manager's philosophy is how they think about the benchmark they are evaluated against. Most managers we recommend are either benchmark-aware, but not *benchmark-constrained*, or believe in managing portfolios in a benchmark-agnostic manner. We are biased toward managers who have conviction in their ideas and reflect that conviction in the construction of their portfolios.

Manager Evaluation Criteria (continued)

Investment Process

- Every analysis of an investment manager must entail an examination of how they pick stocks for their portfolio, why they sell stocks from the portfolio, and how their portfolio is constructed. We like investment processes that are straightforward and easy to understand. Although we want to see consistency in the process, there is considerable art to investing. A repeatable process, in and of itself, does not guarantee good investment results. It is in the execution of the process where managers differentiate themselves and add value.
- In our analysis, we determine whether the portfolio is bottom-up driven, or if there is a significant top-down element to the process. Themes can also play a role in how portfolios are managed. In emerging markets, the use of various investment tools (e.g. valuation techniques, market-related data) can provide complementary sources of information in an investment process, and support a manager's edge.
- With this information as a backdrop, our analysis of the investment process initially focuses on how new ideas are generated and how these ideas find their way into the portfolio. Once the opportunity set has been identified, we seek to understand the quality of research a manager performs, and if that level of research is consistent with their stated investment approach and objective. Superior managers generally perform intensive due diligence and their level of understanding of the businesses in which they invest often gives them an edge. We want to make sure they know what they own in their portfolios.
- Once the research on an idea has been completed, an investment decision must be made. Ultimately, successful active management requires exercising good judgment. We always want to know how managers make investment decisions and who makes them. It is important to us that investment ideas are thoroughly vetted. We also want the decision-making process to be efficient and responsive to changing dynamics in the market. How managers construct their portfolios, and think about, as well as control, risk is also evaluated.

Manager Evaluation Criteria (continued)

Investment Performance

- Just because a manager has performed well in the past does not guarantee they will be able to continue to do so in the future. In fact, we recognize how difficult it is to sustain strong performance for a long period. We do feel that if we can find strong organizations with bright, motivated, knowledgeable, and experienced people, combined with a history of long-term, consistent success, we significantly increase the chances that managers we recommend to clients will add value in the future. If we are correct in our assessment of the quality of the organization and the people, then the performance should follow.
- Portfolio performance over multiple time horizons is evaluated. We review calendar-year results over as long a period as possible. We also examine rolling time periods to eliminate the impact of end point bias. We do not expect a manager to outperform the relevant index every year, but we do believe they should outperform over a full market cycle. What we are looking for is consistency. In addition, we analyze each manager's risk-adjusted returns. We want to make sure that our clients are being compensated for the risk the manager is taking. For each manager, we also look at the standard deviation, beta, tracking error, correlation with the benchmark, and other statistical measures. Our analysis of upside and downside capture gives us a sense of which managers can be expected to perform well in up- and down-markets. We have a bias toward equity managers who protect their clients on the downside because of the compounding effect of returns over time.
- We review the historical portfolio holdings of each manager to verify their investment style, to assess where their biases are, and *have been*, and to determine where and how they have been able to add value. This analysis tells us what helped and hurt the portfolio, and in which areas of the market a manager is particularly adept. We also look at the distribution of returns in the portfolio. Avoiding poor performing stocks, sectors, and/or countries, or minimizing their impact, is an important part of successfully managing an emerging markets equity portfolio.

Manager Evaluation Criteria (continued)

Management Fees

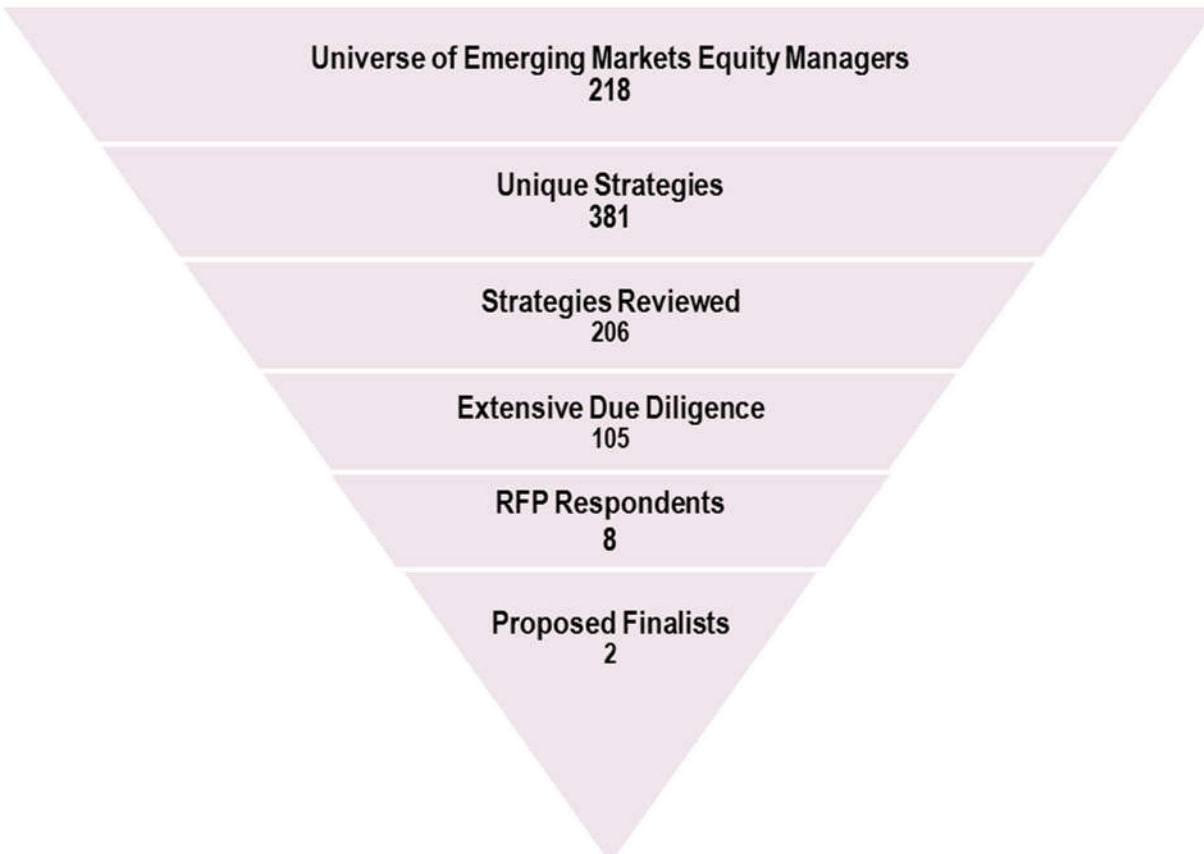
- The final step in our analysis is evaluating an investment manager's fees and the expenses they incur in managing the portfolio. Minimizing fees and expenses is important because these costs reduce the return to our clients. This effect can be very pronounced over time, so we seek to negotiate lower fees whenever possible.
- Trading costs are another hidden expense to investors and must also be evaluated. In general, portfolio managers with high turnover trading less liquid stocks will incur the highest trading costs.
- The emerging markets represent a diverse set of countries. Due to the onerous and time-consuming registration requirement is several emerging markets countries, Meketa Investment Group typically recommends clients invest in the asset class through fund vehicles (e.g. commingled funds, institutional mutual funds, etc.) rather than separate accounts. Some countries can take many months and, in extreme cases, up to a year for investors to complete the local registration processes. This can present a substantial opportunity cost for investors using active management in emerging markets. In addition to ease of use, fund vehicles can offer that added benefit of economies of scale in regards to fund operating expenses.

Overview

- Meketa Investment Group conducts research on emerging market equity investment managers on an ongoing basis. External research resources, such as eVestment Alliance, FactSet, and Morningstar, are used to screen the universe of emerging market equity strategies. Additionally, industry contacts are also utilized to identify new investment firms and strategies. Meketa research professionals also draw on their experience and knowledge from past meetings with investment managers.
- Meketa Investment Group continually monitors a wide range of emerging market equity strategies with frequent calls and/or onsite visits.
- Meketa Investment Group issued a Request for Proposal ("RFP") for this search and received responses from eight emerging market equity managers. Each of the responses was evaluated in detail to determine the most appropriate fit for the Trust. The results of our review are listed on the following pages. Finalists were selected based on manager-specific attributes, as well as the current positioning of the Trust Fund.

Emerging Markets Equity Universe – Meketa Investment Group Research Process

While Meketa maintains a short list of managers in each asset class that have gone through our multi-stage vetting process, every manager search we conduct is customized based on the needs of the client. We continuously monitor the asset class and review candidates. This graphic shows work done on active emerging markets equity managers during the past five years.



RFP Respondents

Manager	Headquarters	Strategy
Artisan Partners	Milwaukee, WI	Developing World
Axiom Investors	Greenwich, CT	Emerging Markets Equity
Baron Capital	New York, NY	Emerging Markets
Driehaus Capital Management	Chicago, IL	Emerging Markets Growth
GQG Partners	Fort Lauderdale, FL	Emerging Markets Equity
Newton Investment Management	London, U.K.	Global Emerging Markets
Wasatch Advisors	Salt Lake City, UT	Emerging Markets Select

- To narrow the list to finalist candidates, managers were removed for the following reasons:
  - Material personnel turnover
  - Excessive fees
  - Organizational changes
  - Track record or poor risk-adjusted returns

Manager Candidates

Firm Overview
As of December 31, 2017

Artisan Partners	
Firm Location	Milwaukee, WI
Firm Inception	1994
Ownership Structure	Publicly Traded
Total Assets Managed	$115.5 billion
Strategy Inception	July 2015
Strategy Assets Managed	$2.3 billion

Organization

- Artisan Partners (NYSE: APAM) is a large, multi-boutique investment management firm based in Milwaukee, WI. The firm consists of eight investment teams that operate autonomously as investment boutiques. The eight investment teams are located at offices in Milwaukee, San Francisco, Atlanta, New York, Kansas City, and London.
- As of December 2017, Artisan Partners managed approximately $115.5 billion in assets in 15 distinct investment strategies, with $2.3 billion in the Developing World strategy.
- The Developing World Team manages a single investment product: Artisan Developing World. The strategy was incepted in July 2015. The Developing World Team previously managed the Thornburg Developing World strategy using the same investment approach.

Artisan Partners (continued)

Investment Team Overview

- Lead portfolio manager Lewis Kaufman has run the strategy since its inception. Before joining Artisan, Mr.Kaufman developed and managed the Thornburg Developing World strategy using the same investment philosophy and process. Prior to that, Mr. Kaufman was a senior analyst and co-PM of the Thornburg International Equity ADR product. Mr. Kaufman has 20 years of investment experience.
- Mr. Kaufman is supported by three dedicated research analysts, Michael Roberge, Edward Su, and David Ng. Previously, Mr. Roberge provided dedicated research support to Mr. Kaufman on the Thornburg Developing World strategy. Prior to joining the Artisan Developing World team, Mr. Su was a portfolio manager on the Thornburg Global Opportunities strategy, which actively invests in emerging markets equities. Mr. Ng is a junior analyst on the team who was hired in early 2017.

Artisan Partners (continued)

Investment Philosophy

- The Artisan Developing World investment team believes that earnings growth and compounding business value drives long-term appreciation. The team seeks to invest in financially sound, free-cash flow generative companies with low financial leverage. They believe that companies with these qualities are less likely to impair capital during periods of extreme market volatility characteristic of emerging markets investing.
- Importantly, Artisan also believes that macroeconomic forces can have a significant impact on emerging markets investment returns. They believe emerging markets investments are uniquely exposed to a number of risk factors that leave these countries vulnerable to capital flight and, in turn, permanent capital impairment during periods of market stress. As such, Artisan seeks to enhance their stock selection process by mitigating the top-down risks inherent in emerging markets.
- The team also seeks to mitigate the volatility of the portfolio through the use of an expanded opportunity set. Artisan will invest in off-benchmark securities and developed market-listed companies with a significant proportion of their revenues/earnings growth coming from emerging markets.

Artisan Partners (continued)

Investment Process

- Artisan takes a traditional, fundamental, research-intensive approach to stock selection, while also appreciating that macroeconomic factors are critical when investing in emerging markets.
- The bottom-up research process begins with investment screens on valuation (P/everything) and quality metrics (ROE, ROA, ROIC, etc.) The team thoroughly reviews attractive businesses with a focus on the sustainability of free cash flow and the potential for fundamental disruption of a company's business model due to changing business conditions. They favor companies that are financially sound and have low leverage.
- The team also seeks to mute the portfolio's absolute volatility by actively managing currency risk. This top-down component of the process focuses on economic drivers such as current account balances. The team seeks to understand whether headwinds exist for future local currency performance across the emerging markets opportunity set, and manages individual country exposures accordingly. As a diversification and risk mitigation tool, the team will also invest in developed market-listed companies with significant revenues/earnings growth derived from emerging markets.
- The end result is a concentrated, benchmark-agnostic portfolio of 40 to 70 holdings. Annual portfolio turnover typically averages 30-50%.

Firm Overview
As of December 31, 2017

	GQG Partners
Firm Location	Fort Lauderdale, FL
Firm Inception	2016
Ownership Structure	95% employee-owned/ 5% owned by Pacific Current Group
Assets Under Management (Firm)	$10.7 billion
Strategy Inception	June 2016
Assets Under Management (Strategy)	$4.6 billion

Organization

- GQG Partners is a boutique asset management firm based in Fort Lauderdale. The firm manages concentrated, benchmark-agnostic global equity portfolios. GQG was founded by Rajiv Jain, former CIO and Co-CEO of Vontobel Asset Management. The firm is 95% employee-owned. The remaining 5% of the stock is held by Pacific Current Group.
- Though GQG Partners is a relatively new organization, the investment team is fully-staffed and the firm has successfully grown its total assets under management. GQG employs 37 individuals, 12 of whom comprise the investment team. 25 individuals are in non-investment roles. As of December 2017, the firm managed $10.7 billion in assets across three products, with $4.6 billion in the Emerging Markets Equity strategy.

GQG Partners (continued)

Investment Team

- The GQG investment team is led by Chairman and CIO Rajiv Jain. Mr. Jain makes all final decisions on the Emerging Markets equity strategy. He has 27 years of investment experience. During his tenure at Vontobel, Mr. Jain served as lead portfolio manager on the Emerging Markets strategy from 1997 to 2016, and was the lead portfolio manager on the Global and International Equity strategies from 2002 to 2016. Additionally, Mr. Jain served as CIO and Co-CEO at Vontobel Asset Management beginning in January 2002.
- Mr. Jain is supported by nine analysts and two traders. Though analysts are afforded autonomy in the company analysis process, Mr. Jain is involved throughout all stages of research. He considers himself to be an analyst first and portfolio manager second. Mr. Jain also incorporates skepticism into the research process by assigning an analyst to act as "devil's advocate" on every stock. By doing so, he promotes a more in-depth and challenging vetting of the investment idea. The analyst is forced to defend the company they are proposing to add to the portfolio.

GQG Partners (continued)

Investment Philosophy

- GQG Partners believes that long-term, stable, and superior earnings growth drives investment returns and risk-adjusted outperformance.
- The GQG Partners team seeks to invest in businesses that are predictable (strong franchise, low capital intensity, shareholder-oriented management, etc.), sustainable (able to replicate or exceed past success in terms of growth, operating margins, ROE, ROA, etc.), and trade at an attractive margin of safety (at least a 25% discount to the analyst's assessment of intrinsic value). Mr. Jain believes in building concentrated portfolios of high conviction positions with little attention paid to the benchmark.

GQG Partners (continued)

Investment Process

- The GQG investment process begins with a series of quantitative screens focused on profitability and stability. The team's favored metrics include low amounts of leverage, high ROE/ROA, high free cash flow, and stable earnings.
- Promising companies are then subject to intense fundamental research to assess the quality of the business and its earnings. GQG believes that quality companies should have a defensible franchise, a consistent and durable business, strong pricing power, low capital intensity, and transparent accounting.
- If a company meets these quality criteria, the focus then shifts to valuation. If a company's stock is trading at a significant discount (>25%) to a conservative estimate of its long-term value, it is a candidate for purchase.
- The team manages a relatively concentrated portfolio of approximately 50-80 positions. Annual portfolio turnover is typically between 30% and 70%.

Portfolio Characteristics
As of December 31, 2017

	Artisan Partners		GQG Partners		*MSCI Emerging Markets*	
Trailing Price-Earnings Ratio	21.7x		18.2x		*14.8x*	
Price-Book Value Ratio	6.1x		3.2x		*1.8x*	
Weighted Average Market Cap	$82.2 billion		$126.8 billion		*$98.9 billion*	
Median Market Cap	$12.4 billion		$17.0 billion		*$7.0 billion*	
Number of Holdings	53		61		*846*	
Annual Expected Turnover Rate	30-50%		30-70%		*NA*	
Market Cap Weightings:						
>$50 billion	36%		51%		*37%*	
$15-50 billion	12%		22%		*36%*	
$1.5-15 billion	44%		26%		*27%*	
<$1.5 billion	8%		0%		*0%*	
Top 3 Country Weightings:	China	30%	China	30%	*China*	*30%*
	Other[1]	21%	Russia	12%	*Korea*	*15%*
	Brazil	14%	Other	11%	*Taiwan*	*11%*
Top 3 Sector Weightings:	Info. Tech.	23%	Financials	36%	*Info. Tech.*	*28%*
	Cons. Disc.	23%	Info. Tech	29%	*Financials*	*23%*
	Financials	15%	Cons. Staples	10%	*Cons. Disc.*	*10%*
% of Portfolio in Top 10 Holdings:	35%		41%		*25%*	

- Artisan and GQG both manage relatively concentrated, benchmark-agnostic portfolios. Both are growth-oriented strategies, with portfolios that typically trade at a P/E and P/B premium relative to the index. Both Artisan and GQG will make off-benchmark investments in select developed market domiciled companies with the majority of their revenues/earnings growth derived from emerging markets. GQG's exposure to these types of businesses has historically been in Europe, Artisan's exposures has been more concentrated in U.S. companies.

[1] "Other" represents companies that are listed in developed markets but obtain the majority of their revenues/earnings growth from emerging markets.

Historical Risk (net of fees)[1]
January 2010 – December 2017

	Artisan Partners	GQG Partners[2]	*MSCI Emerging Markets*
Common Period Performance:			
Common Period Performance (%)	9.4	9.5	4.5
Best 3 Months (%)	18.4	20.7	*18.0*
Worst 3 Months (%)	-23.1	-13.7	*-22.6*
Risk Measures:			
Standard Deviation (%)	18.4	16.0	*18.5*
Tracking Error (%)	6.5	8.5	NA
Beta	0.89	0.74	1.00
Correlation to Benchmark	0.93	0.89	NA
Downside Deviation (%)	8.9	7.7	*8.0*
Upside Capture (%)	94	89	NA
Downside Capture (%)	77	71	NA
Risk-Adjusted Performance:			
Jensen's Alpha (%)	5.4	6.2	NA
Sharpe Ratio	0.50	0.58	*0.23*
Information Ratio	0.75	0.60	NA

- Both Artisan and GQG have outperformed the MSCI Emerging Markets index on both an absolute and risk-adjusted basis, net of fees, during the common period. Both managers have favorable upside/downside capture statistics and a lower than market beta. Both managers have outperformed in down markets, on average, but Artisan potentially offers higher upside during rising markets, as evidenced by its higher upside capture. Both managers have high tracking error, which suggests that short- to medium-term performance deviations versus the index can be substantial.

1 Net of fees returns assume the manager fee schedules stated herein. Common period is from January 2010 to December 2017. January 2010 is the inception date of the Thornburg Developing World strategy, which was managed by Lewis Kaufman from January 2010 to February 2015. MSCI Emerging Markets Index returns are used as a return proxy during the interim period from March 2015 through June 2015 when Mr. Kaufman was transitioning to Artisan Partners.

2 Performance prior to June 2016 is from the Vontobel Emerging Markets strategy. Rajiv Jain managed the Vontobel Emerging Markets strategy from January 1997 to May 2016.

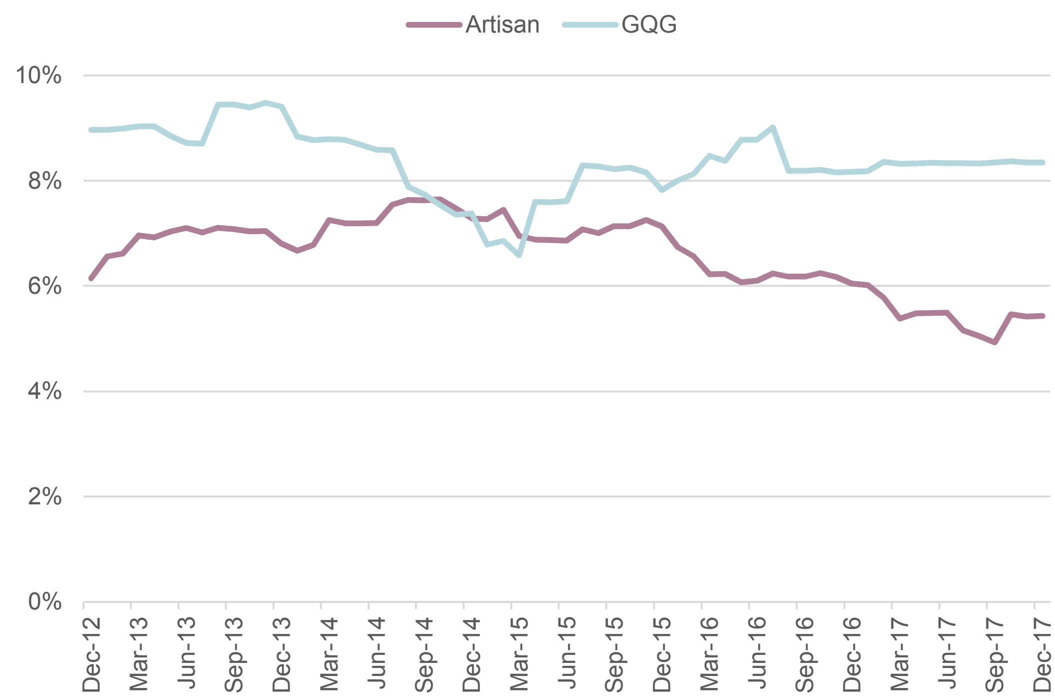
Trailing and Calendar Year Performance (net of fees)[1]
As of December 31, 2017

	Artisan Partners	GQG Partners[2]	*MSCI Emerging Markets*
Trailing Period Returns (%):			
1 Year	35.4	34.3	37.3
3 Years	9.5	10.1	9.1
5 Years	8.2	6.1	4.3
7 Years	6.5	6.9	2.6
10 Years	NA	5.5	1.7
Common Period	9.4	9.5	4.5
Calendar Year Returns (%):			
2017	35.4	34.3	*37.3*
2016	11.8	8.3	*11.2*
2015	-13.2	-8.3	*-14.9*
2014	-2.5	6.3	*-2.2*
2013	16.1	-5.3	*-2.6*
2012	23.3	21.4	*18.2*
2011	-15.1	-2.4	*-18.4*
2010	31.6	30.3	*18.9*
2009	NA	54.7	*78.5*
2008	NA	-46.7	*-53.3*

- Artisan and GQG have meaningfully outperformed the index over medium- and long-term trailing periods. Given the amount of tracking error in their portfolios, we would expect both strategies to go through periods of short-term underperformance consistent with market environments where low quality, deep value stocks outperform high quality, growth stocks. This environment characterized calendar years 2009 and 2016.
- Both managers have historically navigated down markets successfully. As illustrated in the table above, Artisan and GQG have outperformed the index in three out of four negative calendar years since 2008, and four out of five in GQG's case.

1 Net of fees returns assume the manager fee schedules stated herein. Common period is from January 2010 to December 2017. January 2010 is the inception date of the Thornburg Developing World strategy, which was managed by Lewis Kaufman from January 2010 to February 2015. MSCI Emerging Markets Index returns are used as a return proxy during the interim period from March 2015 through June 2015 when Mr. Kaufman was transitioning to Artisan Partners.
2 Performance prior to June 2016 is from the Vontobel Emerging Markets strategy. Rajiv Jain managed the Vontobel Emerging Markets strategy from January 1997 to May 2016.

Rolling Three-Year Tracking Error vs. MSCI Emerging Markets[1]
Longest Common Period as of December 31, 2017



- Both Artisan and GQG have relatively high tracking error. As a result, their performance is likely to deviate significantly versus the index in the short- to medium-term. GQG's index-relative performance is likely to be more volatile than Artisan's (both positive and negative) because of its extremely high tracking error. A long-term investment horizon is required when investing in these strategies.

[1] Net of fees returns assume the manager fee schedules stated herein. Common period is from January 2010 to December 2017. January 2010 is the inception date of the Thornburg Developing World strategy, which was managed by Lewis Kaufman from January 2010 to February 2015. MSCI Emerging Markets Index returns are used as a return proxy during the interim period from March 2015 through June 2015 when Mr. Kaufman was transitioning to Artisan Partners. GQG performance prior to June 2016 is from the Vontobel Emerging Markets strategy. Rajiv Jain managed the Vontobel Emerging Markets strategy from January 1997 to May 2016

Artisan Partners Rolling Period Excess Returns vs. MSCI Emerging Markets[1]
(January 2010 to December 31, 2017)

As of 12/31/2017	Total Periods	Periods Outperformed	Percentage (%)	Average Ann. Excess Return (%)	Max (%)	Min (%)	Range (%)
One-Year	85	67	79	4.9	18.7	-8.3	27.0
Three-Year	61	60	98	5.1	10.5	-0.7	11.2

- Artisan's rolling one- and three-year excess returns have been strong and consistent. However, the strategy's high tracking error, preference for high-quality, compounding businesses, and exposure to select developed-market domiciled businesses can result in short-term periods of underperformance during strong momentum-oriented markets, when the U.S. underperforms emerging markets, and/or when quality stocks are out of favor (e.g. 2014 and 2017.)

[1] Net of fees returns assume the manager fee schedules stated herein. January 2010 is the inception date of the Thornburg Developing World strategy, which was managed by Lewis Kaufman from January 2010 to February 2015. MSCI Emerging Markets Index returns are used as a return proxy during the interim period from March 2015 through June 2015 when Mr. Kaufman was transitioning to Artisan Partners.

GQG Partners Rolling Period Excess Returns vs. MSCI Emerging Markets[1]
(Last Ten Years, as of December 31, 2017)

As of 12/31/2017	Total Periods	Periods Outperformed	Percentage (%)	Average Ann. Excess Return (%)	Max (%)	Min (%)	Range (%)
One-Year	109	72	66	3.1	19.4	-27.2	46.6
Three-Year	85	83	98	5.1	11.9	-0.7	12.6

- While slightly less consistent than Artisan's rolling one-year period returns, GQG has also produced consistent results over time. The strategy has outperformed the index in 66% and 98% of rolling one- and three-year periods during the last ten years by an average of 3.1% and 5.1%, respectively. GQG's investment style is likely to lag the market during sharp, low quality market reversals (e.g. 2009/2016.)

[1] Returns are net of fees. Net of fees returns assume the manager fee schedules stated on page 20. Source: MSCI Barra, eVestment Alliance. Driehaus' track record begins in January 2008 at the time Howard Schwab assumed the role of lead portfolio manager on the strategy. GQG's track record begins in January 1997 at the time when Rajiv Jain assumed the role of lead portfolio manager on the Vontobel Emerging Markets strategy. Rajiv Jain managed the portfolio at Vontobel from January 1997 to May 2016.

Management Fees

	Artisan Partners	GQG Partners
Vehicle Name	Developing World	Emerging Markets Equity
Investment Vehicle	Institutional Mutual Fund (APHYX)	Commingled Fund
Minimum Account Size	$1 million	$1 million
Liquidity	Daily	Weekly
Management Fee	1.12%	0.50% on all assets
Other Expenses	NA	0.15%
All-In Fee[1]	1.12% on all assets	0.65% on all assets

- At 1.12% on all assets, Artisans' fees rank slightly above the median of the emerging markets equity peer group for a $30 million mutual fund mandate.
- At 0.65% on all assets, GQG's fees rank in the first quartile (lowest) of the emerging markets equity peer group for a $30 million commingled fund mandate. GQG's standard commingled fund management fee is 0.80%, excluding fund operating expenses, but the firm has offered Meketa clients a discounted fee schedule. When other operating expenses are included, total standard fees are 0.95%. Meketa clients receive a total discount of 30 bps.

[1] Assumes mandate size of >$30 million.

Comparative Manager Assessment

	Artisan Partners	GQG Partners
Organization	• Large, publicly traded multi-boutique asset management firm based in Milwaukee, WI. The firm has $116B in AUM. • Artisan Developing World was incepted in July 2015 by the former Thornburg Developing World strategy investment team and its founder, Lewis Kaufman.	• Boutique asset management firm founded in June 2016 by former Vontobel CIO/co-CEO, Rajiv Jain. $10.7B in AUM. • 95% employee-owned and 5% owned by Pacific Current Group.
Investment Team	• Experienced lead portfolio manager Lewis Kaufman is the final decision maker on the strategy. Mr. Kaufman joined Artisan Partners in 2015 after leaving Thornburg, where he managed an emerging markets equity portfolio. Mr. Kaufman has 20 years of investment experience. • Mr. Kaufman is supported by three dedicated research analysts. Two of the three analysts worked with Mr. Kaufman at Thornburg before joining Artisan in 2015.	• Experienced lead PM Rajiv Jain has 25 years of investment experience. He has implemented this clearly defined and intuitive investment approach for over 14 years. • Mr. Jain is supported by a team of 9 experienced analysts. Most of the analysts have not previously worked with Mr. Jain; however one worked with Mr. Jain in the past at Vontobel (in the mid-1990's.)
Investment Philosophy	• The Artisan Developing World team seeks to invest in durable companies or "business value compounders," while avoiding exposure to high risk countries with unsustainable underlying economic imbalances. • Artisan will invest a portion of the portfolio in develop market domiciled stocks (20-25%) with the majority of their revenues/earnings growth derived from emerging markets.	• GQG Partners believes that long-term, stable, and superior earnings growth drives investment returns and risk-adjusted outperformance. The portfolio is relatively concentrated. • GQG will invest a portion of the portfolio in develop market domiciled stocks (10-25%) with the majority of their revenues/earnings growth derived from emerging markets.
Investment Process	• The investment team focuses on a short-list of growing, financially sound companies with strong free cash flow and low levels of financial leverage. • The team also seeks to mute the portfolio's absolute volatility by actively managing currency risk. This top-down component of the process focuses on economic drivers such as current account balances. • The portfolio is concentrated with 40-70 holdings.	• The GQG investment process begins with a series of quantitative screens focused on profitability and stability. • Promising companies are then subject to intense fundamental research to assess the quality of the business and their earnings. • GQG believes that quality companies should have a defensible franchise, strong pricing power, low capital intensity, and transparent accounting. • 50-80 holdings.
Performance	• Impressive and consistent absolute and risk-adjusted excess returns over all trailing periods. A portion of this performance can be attributed to the team's willingness to invest in developed market-domiciled companies. High tracking error.	• Very strong and consistent absolute and risk-adjusted performance. High tracking error.
Fees	• Highest fees of the finalists (1.12 %.)	• Competitively negotiated low fees (0.65 %.)

Recommendation

- We believe both Artisan Developing World and GQG Emerging Markets are suitable for the San Francisco Retiree Health Care Trust Fund Portfolios.
- We recommend investing in GQG Emerging Markets due to what we believe is a strong, deep and experienced investment team, a sound investment process, very low fees, and a track record of generating strong absolute and risk-adjusted returns through varying market cycles.