FUND EVALUATION REPORT

San Francisco Retiree Health Care Trust Fund

February 6, 2017

MEKETA INVESTMENT GROUP

BOSTON MASSACHUSETTS | CHICAGO ILLINOIS | MIAMI FLORIDA | PORTLAND OREGON | SAN DIEGO CALIFORNIA | LONDON UNITED KINGDOM

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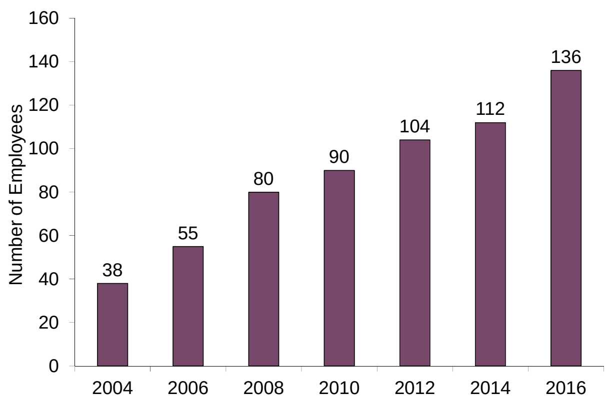
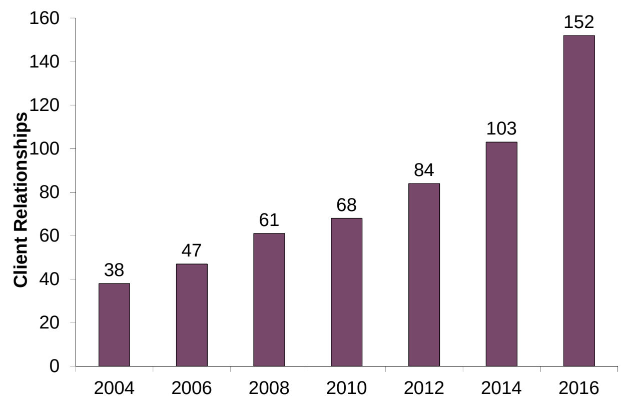
Meketa Investment Group
Corporate Update

- Staff of 136, including 88 investment professionals and 27 CFA Charterholders
- 152 clients, with over 250 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Chicago, Miami, Portland (OR), San Diego, and London
- Clients have aggregate assets of over $890 billion
  - Over $50 billion in assets committed to alternative investments
    - Private Equity
    - Infrastructure
    - Natural Resources
    - Real Estate
    - Hedge Funds
    - Commodities

Employee Growth



Client Growth



Meketa Investment Group is proud to work for over 5 million American families everyday

Asset Classes Followed Intensively by Meketa Investment Group

Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
- Passive	- Large Cap Developed	- Buyouts	- Public REITs	- Short-Term	- Long/Short Equity
- Enhanced Index	- Small Cap Developed	- Venture Capital	- Core Real Estate	- Core	- Event Driven
- Large Cap	- Emerging Markets	- Private Debt	- Value Added Real Estate	- Core Plus	- Relative Value
- Midcap	- Frontier Markets	- Special Situations	- Opportunistic Real Estate	- TIPS	- Fixed Income Arbitrage
- Small Cap		- Secondaries	- Infrastructure	- High Yield	- Multi Strategy
- Microcap		- Fund of Funds	- Timber	- Bank Loans	- Market Neutral
- 130/30			- Natural Resources	- Distressed	- Global Macro
			- Commodities	- Global	- Fund of Funds
				- Emerging Markets	- Portable Alpha

Executive Summary
As of December 31, 2016

San Francisco Retiree Health Care Trust Fund

- The market value of the San Francisco Retiree Health Care Trust Fund increased from $122.4 million to $134.3 million during the quarter due to net cash inflows of $12.6 million and positive performance. The Fund returned 0.4% during the quarter.
- For the 2016 calendar year, the San Francisco Retiree Health Care Trust Fund's performance was 5.5%. Performance was driven by domestic equity, which returned 12.0%. International equity and fixed income were up 1.2% and 2.7%, respectively.
- As of quarter end, the San Francisco Retiree Health Care Trust Fund's cash position was 3%. We anticipate there were always be a nominal cash position due to contributions.

San Francisco Community College District Retiree Health Care Trust Fund

- The market value of the San Francisco Community College District Retiree Health Care Trust Fund increased from $7.9 million to $11.9 million during the quarter primarily due to the net cash inflow of $3.9 million. The Fund returned 0.3% during the quarter.
- For the 2016 calendar year, the San Francisco Community College District Retiree Health Care Trust Fund's performance was 3.8%. Performance was driven by domestic equity, which returned 12.0%. International equity and fixed income were up 1.2% and 2.7%, respectively.
- The return of the San Francisco Community College District Retiree Health Care Trust Fund trailed the San Francisco Retiree Health Care Trust Fund's performance due to a higher cash balance during the calendar year.

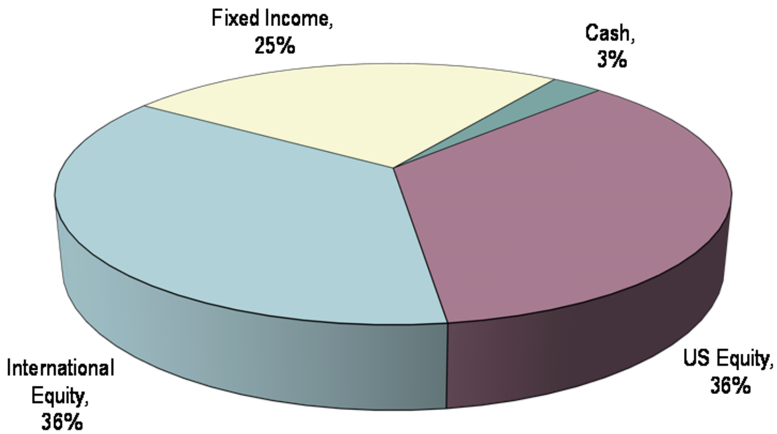
Fourth Quarter Performance Report

Total Fund Market Value

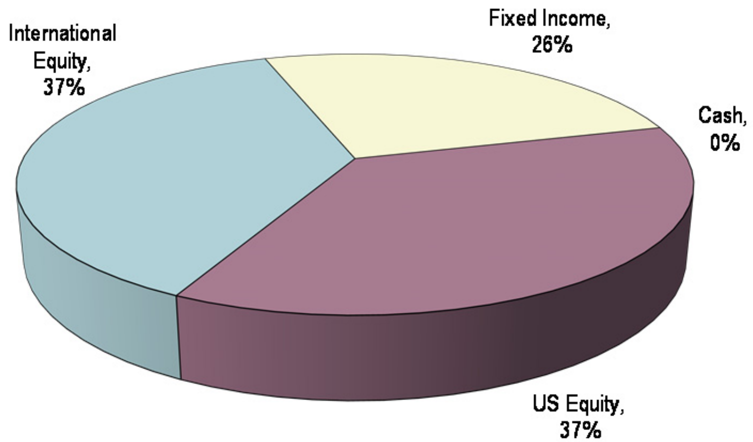
Market Value	US Equity ($)	International Equity ($)	Fixed Income ($)	Cash ($)	Total ($)
San Francisco Retiree Health Care Trust Fund	47,532,725	48,890,253	33,959,805	3,911,822	134,294,606
San Francisco Community College District Retiree Health Care Trust Fund	4,326,278	4,449,835	3,090,914	544	11,867,570
Total	51,859,003	53,340,089	37,050,719	3,912,366	146,162,176

% Allocation by Asset Class	US Equity (%)	International Equity (%)	Fixed Income (%)	Cash (%)	Total (%)
San Francisco Retiree Health Care Trust Fund	35	36	25	3	100
San Francisco Community College District Retiree Health Care Trust Fund	36	37	26	0	100
Total	35	36	25	3	100

San Francisco Retiree Health Care Trust Fund



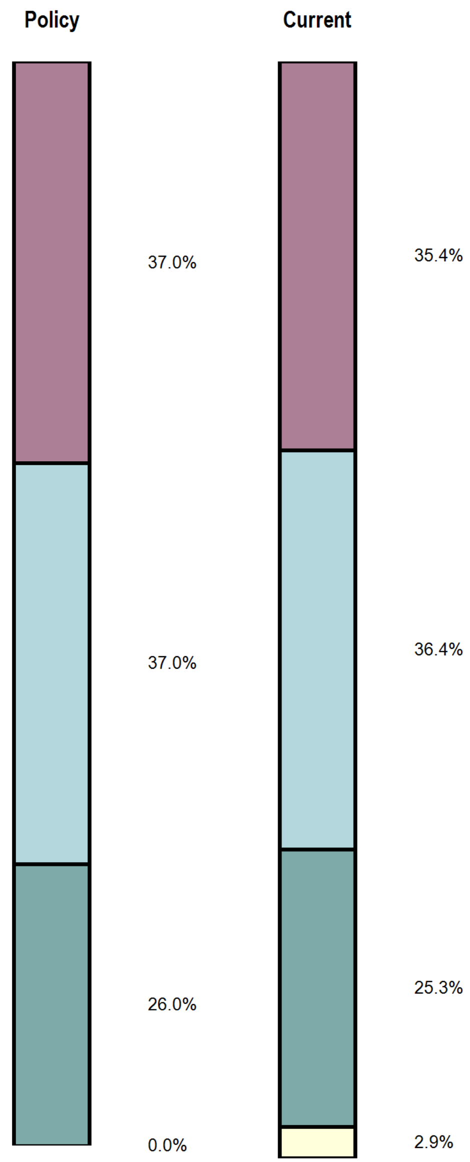
San Francisco Community College District Retiree Health Care Trust Fund



San Francisco Retiree Health Care Trust Fund
As of December 31, 2016

Total Fund

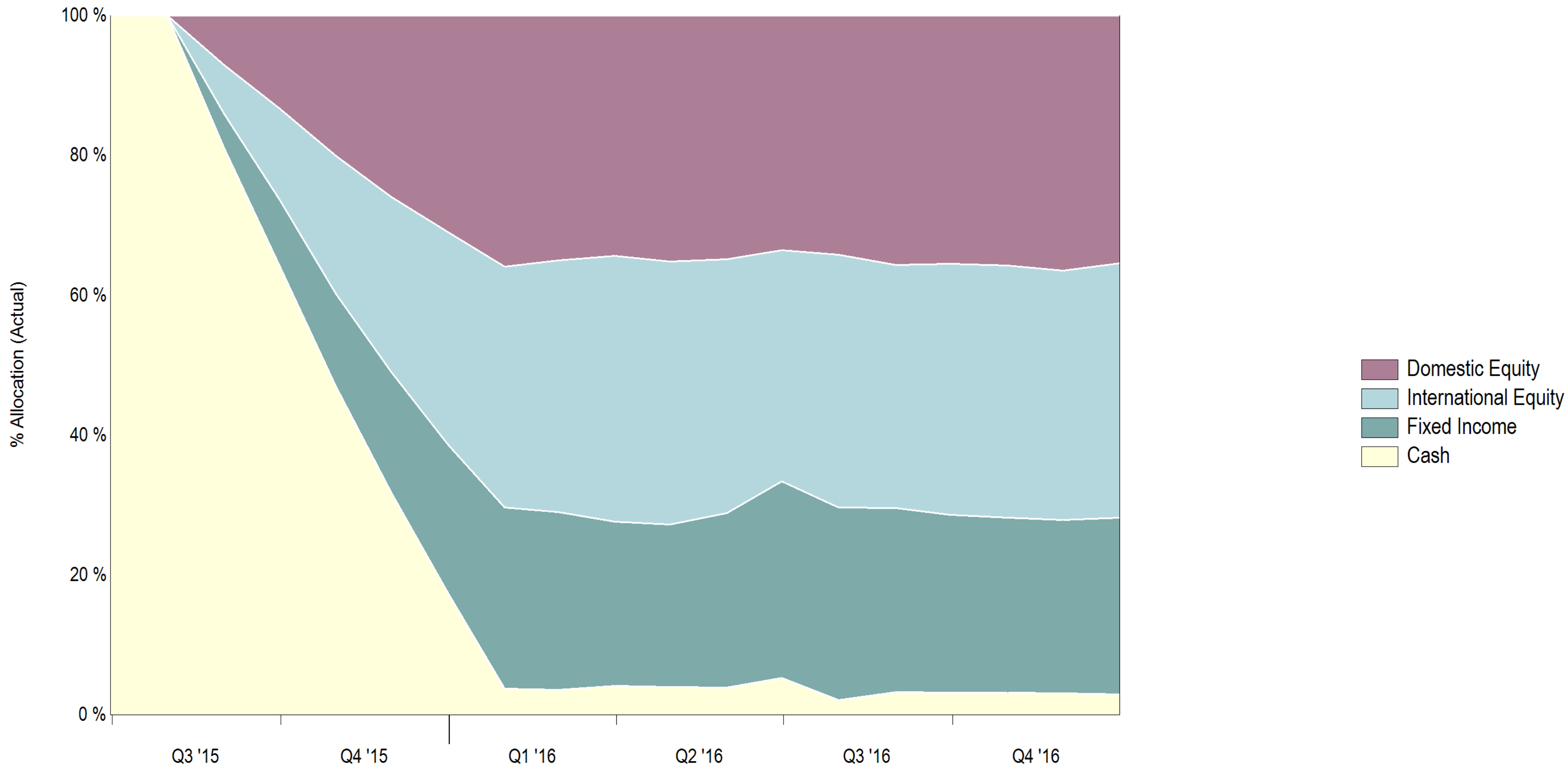
As of December 31, 2016



Allocation vs. Targets and Policy

	Current Balance	Current Allocation	Policy	Difference	Policy Range	Within IPS Range?
US Equity	$47,532,725	35%	37%	-2%	27% - 47%	Yes
International Equity	$48,890,253	36%	37%	-1%	27% - 47%	Yes
Fixed Income	$33,959,805	25%	26%	-1%	16% - 36%	Yes
Cash	$3,911,822	3%	0%	3%	0% - 0%	No
Total	**$134,294,606**	**100%**	**100%**			

Asset Allocation History
1 Year 6 Months Ending December 31, 2016



Total Fund

As of December 31, 2016

Asset Class Performance Summary

	Market Value ($)	% of Portfolio	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since
Total Fund	**134,294,606**	**100.0**	**0.4**	**5.5**	**5.5**	**--**	**--**	**4.7**	**Sep-15**
CPI - Medical Care			*0.1*	*4.1*	*4.1*	*3.2*	*3.0*	*3.8*	*Sep-15*
Domestic Equity	**47,532,725**	**35.4**	**3.8**	**12.0**	**12.0**	**--**	**--**	**12.4**	**Sep-15**
S&P 500			*3.8*	*12.0*	*12.0*	*8.9*	*14.7*	*12.4*	*Sep-15*
International Equity	**48,890,253**	**36.4**	**-0.7**	**1.2**	**1.2**	**--**	**--**	**0.4**	**Sep-15**
MSCI EAFE			*-0.7*	*1.0*	*1.0*	*-1.6*	*6.5*	*0.3*	*Sep-15*
Fixed Income	**33,959,805**	**25.3**	**-3.0**	**2.7**	**2.7**	**--**	**--**	**2.1**	**Sep-15**
BBgBarc US Aggregate TR			*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*2.1*	*Sep-15*
Cash	**3,911,822**	**2.9**	**0.1**	**0.7**	**0.7**	**--**	**--**	**0.7**	**Sep-15**
91 Day T-Bills			*0.1*	*0.3*	*0.3*	*0.1*	*0.1*	*0.2*	*Sep-15*

Total Fund

As of December 31, 2016

Trailing Performance

	Market Value ($)	% of Portfolio	3 Mo Net Cash Flows ($)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since
Total Fund	**134,294,606**	**100.0**	**12,572,932**	**0.4**	**5.5**	**5.5**	**--**	**--**	**4.7**	**Sep-15**
CPI - Medical Care				*0.1*	*4.1*	*4.1*	*3.2*	*3.0*	*3.8*	*Sep-15*
Domestic Equity	**47,532,725**	**35.4**	**3,564,095**	**3.8**	**12.0**	**12.0**	**--**	**--**	**12.4**	**Sep-15**
S&P 500				*3.8*	*12.0*	*12.0*	*8.9*	*14.7*	*12.4*	*Sep-15*
Northern Trust S&P 500 Index	47,532,725	35.4	3,564,095	3.8	12.0	12.0	--	--	12.4	Sep-15
S&P 500				*3.8*	*12.0*	*12.0*	*8.9*	*14.7*	*12.4*	*Sep-15*
International Equity	**48,890,253**	**36.4**	**5,266,834**	**-0.7**	**1.2**	**1.2**	**--**	**--**	**0.4**	**Sep-15**
MSCI EAFE				*-0.7*	*1.0*	*1.0*	*-1.6*	*6.5*	*0.3*	*Sep-15*
Northern Trust EAFE Index	48,890,253	36.4	5,266,834	-0.7	1.2	1.2	--	--	0.4	Sep-15
MSCI EAFE				*-0.7*	*1.0*	*1.0*	*-1.6*	*6.5*	*0.3*	*Sep-15*
Fixed Income	**33,959,805**	**25.3**	**3,660,914**	**-3.0**	**2.7**	**2.7**	**--**	**--**	**2.1**	**Sep-15**
BBgBarc US Aggregate TR				*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*2.1*	*Sep-15*
BlackRock U.S. Debt Index	33,959,805	25.3	3,660,914	-3.0	2.7	2.7	--	--	2.1	Sep-15
BBgBarc US Aggregate TR				*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*2.1*	*Sep-15*
Cash	**3,911,822**	**2.9**	**81,089**	**0.1**	**0.7**	**0.7**	**--**	**--**	**0.7**	**Sep-15**
91 Day T-Bills				*0.1*	*0.3*	*0.3*	*0.1*	*0.1*	*0.2*	*Sep-15*

Northern Trust S&P 500 Index

As of December 31, 2016

Account Information

Account Name	**Northern Trust S&P 500 Index**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**9/01/15**
Account Type	**US Equity**
Benchmark	**S&P 500**
Universe	

Portfolio Performance Summary

	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Northern Trust S&P 500 Index	3.8	12.0	12.0	--	--	--	12.4	Sep-15
S&P 500	*3.8*	*12.0*	*12.0*	*8.9*	*14.7*	*6.9*	*12.4*	*Sep-15*

Top 10 Holdings

APPLE	3.2%
MICROSOFT	2.5%
EXXON MOBIL	2.0%
JOHNSON & JOHNSON	1.6%
JP MORGAN CHASE & CO.	1.6%
BERKSHIRE HATHAWAY 'B'	1.6%
AMAZON.COM	1.5%
GENERAL ELECTRIC	1.5%
FACEBOOK CLASS A	1.4%
AT&T	1.4%
Total	**18.3%**

Northern Trust S&P 500 Index-NL Characteristics

	Portfolio Q4-16	Index Q4-16	Portfolio Q3-16
Market Value			
Market Value (Mil)	47.5	--	43.5
Number Of Holdings	505	505	505
Characteristics			
Wtg. Avg. Market Cap. (Bil)	139.0	138.5	134.9
Median Market Cap (Bil)	18.8	18.8	18.9
P/E Ratio	23.1	22.3	23.1
Yield	2.1	2.1	2.1
EPS Growth - 5 Yrs.	8.0	7.7	9.2
Price to Book	4.7	4.4	4.7
Beta (holdings; domestic)	1.0	1.0	1.0
Sector Distribution			
Energy	7.5	7.6	7.2
Materials	2.8	2.9	2.8
Industrials	10.3	10.2	10.1
Consumer Discretionary	12.0	12.0	12.3
Consumer Staples	9.4	9.4	9.9
Health Care	13.6	13.6	14.6
Financials	14.9	14.8	12.8
Information Technology	20.8	20.8	21.3
Telecommunication Services	2.7	2.7	2.6
Utilities	3.1	3.2	3.3
Real Estate	2.8	2.9	3.0

Northern Trust EAFE Index

As of December 31, 2016

Account Information

Account Name	**Northern Trust EAFE Index**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**9/01/15**
Account Type	**Non-US Stock All**
Benchmark	**MSCI EAFE**
Universe	

Portfolio Performance Summary

	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Northern Trust EAFE Index	-0.7	1.2	1.2	--	--	--	0.4	Sep-15
MSCI EAFE	*-0.7*	*1.0*	*1.0*	*-1.6*	*6.5*	*0.7*	*0.3*	*Sep-15*

Performance Summary Report

As of 12/31/2016

Region	Number Of Assets	% of Total	% of Bench	% Diff
North America ex U.S.	0	0%	0%	0%
United States	7	0%	0%	0%
Europe Ex U.K.	347	46%	45%	1%
United Kingdom	112	17%	18%	-1%
Pacific Basin Ex Japan	157	12%	12%	0%
Japan	329	24%	24%	0%
Emerging Markets	0	0%	0%	0%
Other	12	1%	1%	0%
Total	**964**	**100%**	**100%**	**0%**

Northern Trust EAFE Index Characteristics

	Portfolio Q4-16	Index Q4-16	Portfolio Q3-16
Market Value			
Market Value (Mil)	48.9	--	43.9
Number Of Holdings	964	930	959
Characteristics			
Wtg. Avg. Market Cap. (Bil)	50.9	50.6	52.5
Median Market Cap (Bil)	8.5	8.6	8.7
P/E Ratio	22.0	21.3	21.0
Yield	3.1	3.1	3.3
EPS Growth - 5 Yrs.	5.4	5.2	6.0
Price to Book	3.1	2.4	3.2
Beta (holdings; domestic)	1.0	1.0	1.0
Sector Distribution			
Energy	5.4	5.5	4.8
Materials	7.9	7.9	7.5
Industrials	14.0	14.0	14.0
Consumer Discretionary	12.5	12.5	12.2
Consumer Staples	11.2	11.1	12.9
Health Care	10.7	10.6	11.5
Financials	21.2	21.2	19.2
Information Technology	5.5	5.5	5.5
Telecommunication Services	4.5	4.5	4.8
Utilities	3.4	3.4	3.7
Real Estate	3.7	3.7	4.0

BlackRock U.S. Debt Index

As of December 31, 2016

Account Information

Account Name	**BlackRock U.S. Debt Index**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**9/01/15**
Account Type	**US Fixed Income**
Benchmark	**BBgBarc US Aggregate TR**
Universe	

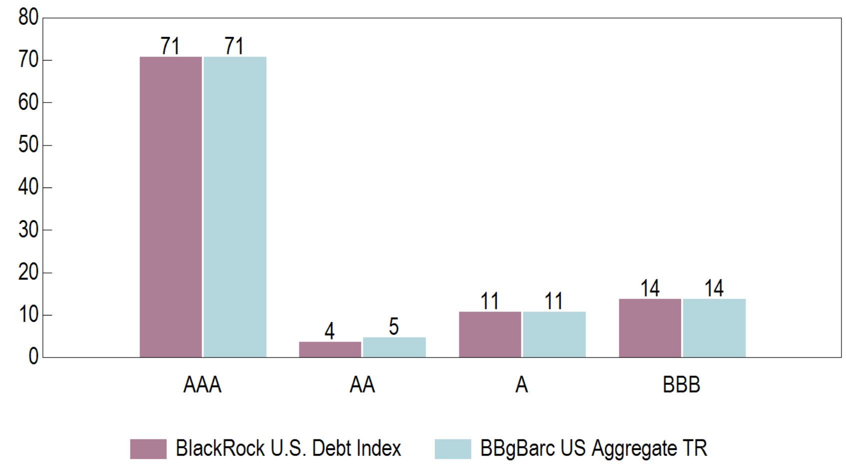
Portfolio Performance Summary

	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
BlackRock U.S. Debt Index	-3.0	2.7	2.7	--	--	--	2.1	Sep-15
BBgBarc US Aggregate TR	*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*4.3*	*2.1*	*Sep-15*

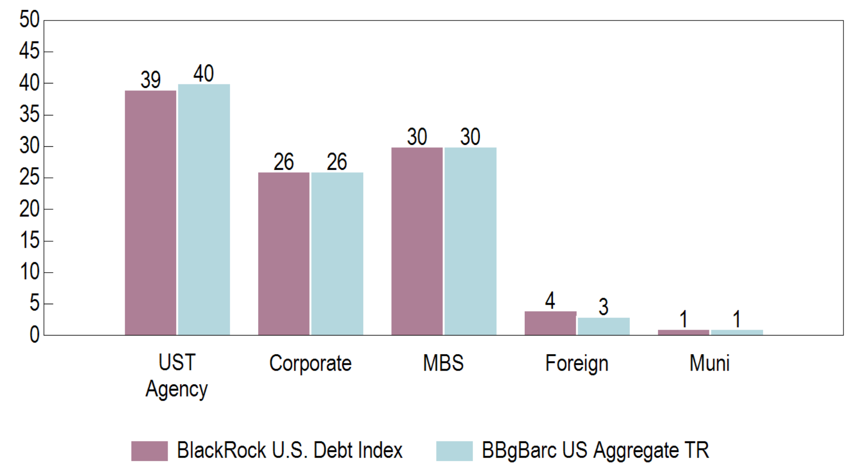
BlackRock U.S. Debt Index-Non Lending Characteristics vs. BBgBarc US Aggregate TR

	Portfolio Q4-16	Index Q4-16	Portfolio Q3-16
Fixed Income Characteristics			
Yield to Maturity	2.6	2.5	1.9
Average Duration	5.7	5.9	5.3
Average Quality	AAA	AA	AA

Credit Quality Allocation



Sector Allocation



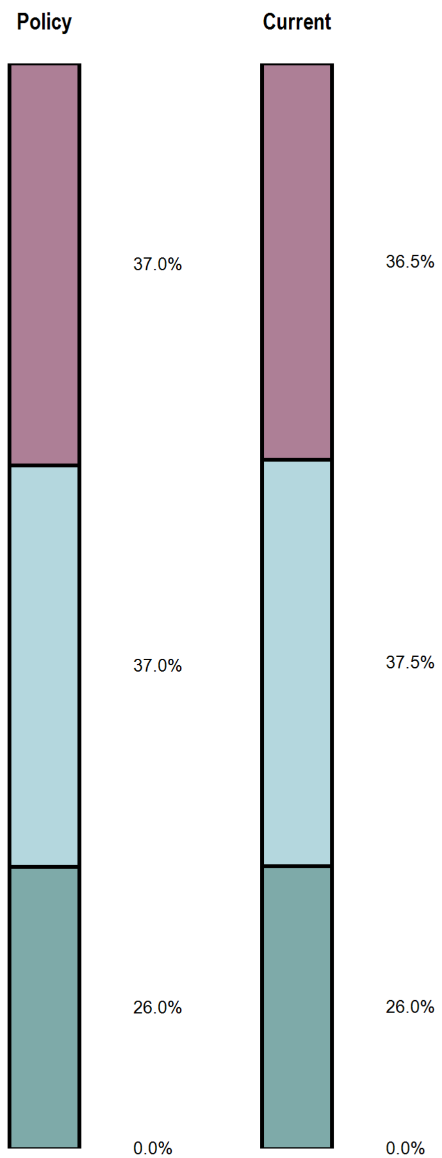
Investment Expense Analysis
As Of September 30, 2016

Name	Fee Schedule	Market Value	Estimated Fee Value	Estimated Fee
Domestic Equity		**$43,478,787**		
Northern Trust S&P 500 Index	0.035% of First $50.0 Mil, 0.030% of Next $50.0 Mil, 0.025% Thereafter	$43,478,787	$15,218	0.035%
International Equity		**$43,924,102**		
Northern Trust EAFE Index	0.050% of Assets	$43,924,102	$21,962	0.050%
Fixed Income		**$31,169,016**		
BlackRock U.S. Debt Index	0.050% of Assets	$31,169,016	$15,585	0.050%

San Francisco Community College District
Health Care Trust Fund
As of December 31, 2016

Total Fund

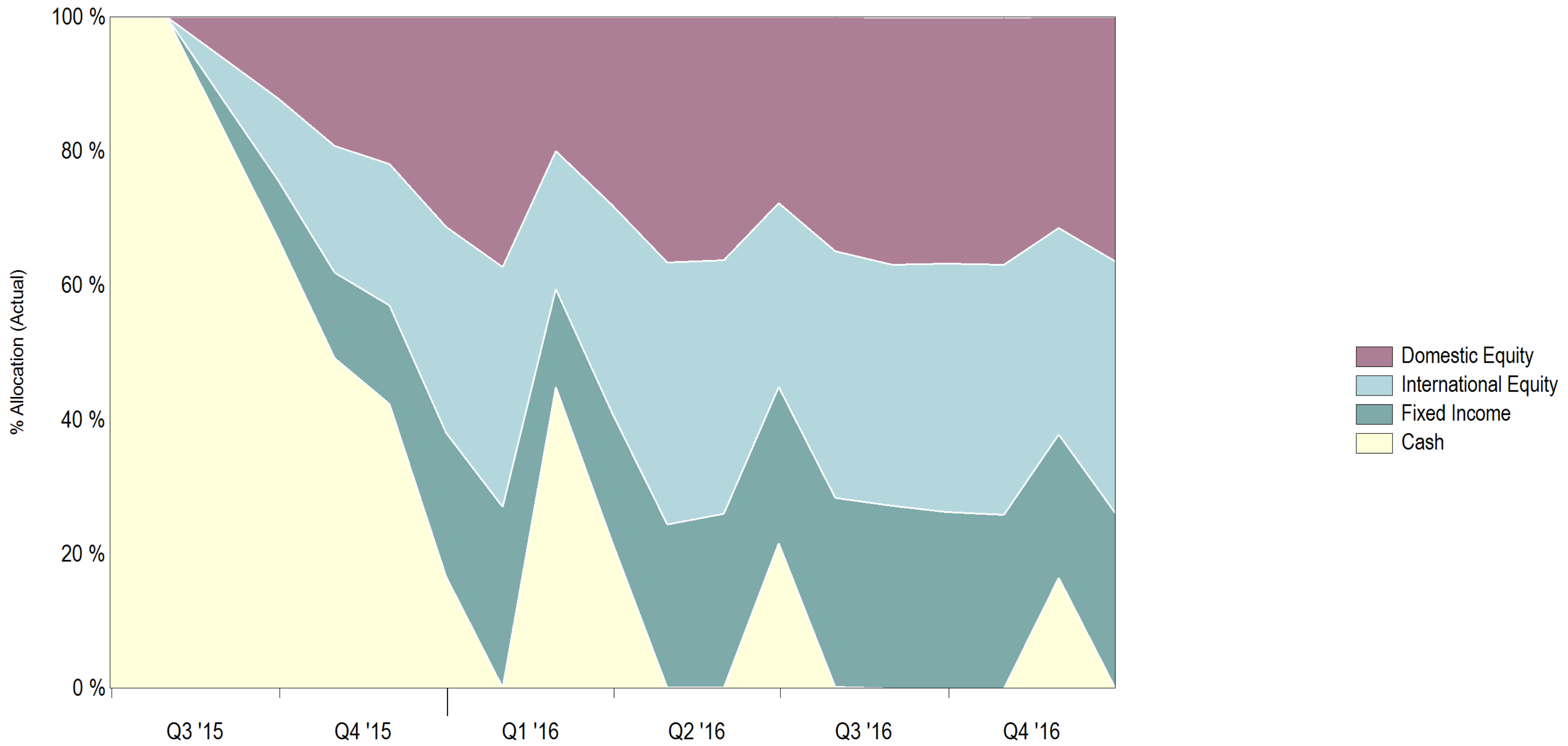
As of December 31, 2016



Allocation vs. Targets and Policy

	Current Balance	Current Allocation	Policy	Difference	Policy Range	Within IPS Range?
US Equity	$4,326,278	36%	37%	-1%	27% - 47%	Yes
International Equity	$4,449,835	37%	37%	0%	27% - 47%	Yes
Fixed Income	$3,090,914	26%	26%	0%	16% - 36%	Yes
Cash	$544	0%	0%	0%	0% - 0%	No
Total	**$11,867,570**	**100%**	**100%**			

Asset Allocation History
1 Year 6 Months Ending December 31, 2016



Total Fund

As of December 31, 2016

Asset Class Performance Summary

	Market Value ($)	% of Portfolio	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since
Total Fund	**11,867,570**	**100.0**	**0.3**	**3.8**	**3.8**	**--**	**--**	**3.4**	**Sep-15**
CPI - Medical Care			*0.1*	*4.1*	*4.1*	*3.2*	*3.0*	*3.8*	*Sep-15*
Domestic Equity	**4,326,278**	**36.5**	**3.8**	**12.0**	**12.0**	**--**	**--**	**12.4**	**Sep-15**
S&P 500			*3.8*	*12.0*	*12.0*	*8.9*	*14.7*	*12.4*	*Sep-15*
International Equity	**4,449,835**	**37.5**	**-0.7**	**1.2**	**1.2**	**--**	**--**	**0.4**	**Sep-15**
MSCI EAFE			*-0.7*	*1.0*	*1.0*	*-1.6*	*6.5*	*0.3*	*Sep-15*
Fixed Income	**3,090,914**	**26.0**	**-3.0**	**2.7**	**2.7**	**--**	**--**	**2.1**	**Sep-15**
BBgBarc US Aggregate TR			*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*2.1*	*Sep-15*
Cash	**544**	**0.0**	**0.2**	**0.7**	**0.7**	**--**	**--**	**0.7**	**Sep-15**
91 Day T-Bills			*0.1*	*0.3*	*0.3*	*0.1*	*0.1*	*0.2*	*Sep-15*

Trailing Net Performance

	Market Value ($)	% of Portfolio	3 Mo Net Cash Flows ($)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Return (%)	Since
Total Fund	**11,867,570**	**100.0**	**3,839,071**	**0.3**	**3.8**	**3.8**	**--**	**--**	**3.4**	**Sep-15**
CPI - Medical Care				*0.1*	*4.1*	*4.1*	*3.2*	*3.0*	*3.8*	*Sep-15*
Domestic Equity	**4,326,278**	**36.5**	**1,227,270**	**3.8**	**12.0**	**12.0**	**--**	**--**	**12.4**	**Sep-15**
S&P 500				*3.8*	*12.0*	*12.0*	*8.9*	*14.7*	*12.4*	*Sep-15*
Northern Trust S&P 500 Index	4,326,278	36.5	1,227,270	3.8	12.0	12.0	--	--	12.4	Sep-15
S&P 500				*3.8*	*12.0*	*12.0*	*8.9*	*14.7*	*12.4*	*Sep-15*
International Equity	**4,449,835**	**37.5**	**1,494,242**	**-0.7**	**1.2**	**1.2**	**--**	**--**	**0.4**	**Sep-15**
MSCI EAFE				*-0.7*	*1.0*	*1.0*	*-1.6*	*6.5*	*0.3*	*Sep-15*
Northern Trust EAFE Index	4,449,835	37.5	1,494,242	-0.7	1.2	1.2	--	--	0.4	Sep-15
MSCI EAFE				*-0.7*	*1.0*	*1.0*	*-1.6*	*6.5*	*0.3*	*Sep-15*
Fixed Income	**3,090,914**	**26.0**	**1,115,566**	**-3.0**	**2.7**	**2.7**	**--**	**--**	**2.1**	**Sep-15**
BBgBarc US Aggregate TR				*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*2.1*	*Sep-15*
BlackRock U.S. Debt Index	3,090,914	26.0	1,115,566	-3.0	2.7	2.7	--	--	2.1	Sep-15
BBgBarc US Aggregate TR				*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*2.1*	*Sep-15*
Cash	**544**	**0.0**	**1,993**	**0.2**	**0.7**	**0.7**	**--**	**--**	**0.7**	**Sep-15**
91 Day T-Bills				*0.1*	*0.3*	*0.3*	*0.1*	*0.1*	*0.2*	*Sep-15*

Northern Trust S&P 500 Index

As of December 31, 2016

Account Information

Account Name	**Northern Trust S&P 500 Index**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**9/01/15**
Account Type	**US Equity**
Benchmark	**S&P 500**
Universe	

Portfolio Performance Summary

	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Northern Trust S&P 500 Index	3.8	12.0	12.0	--	--	--	12.4	Sep-15
S&P 500	*3.8*	*12.0*	*12.0*	*8.9*	*14.7*	*6.9*	*12.4*	*Sep-15*

Top 10 Holdings

APPLE	3.2%
MICROSOFT	2.5%
EXXON MOBIL	2.0%
JOHNSON & JOHNSON	1.6%
JP MORGAN CHASE & CO.	1.6%
BERKSHIRE HATHAWAY 'B'	1.6%
AMAZON.COM	1.5%
GENERAL ELECTRIC	1.5%
FACEBOOK CLASS A	1.4%
AT&T	1.4%
Total	**18.3%**

Northern Trust S&P 500 Index-NL Characteristics

	Portfolio Q4-16	Index Q4-16	Portfolio Q3-16
Market Value			
Market Value (Mil)	4.3	--	2.9
Number Of Holdings	505	505	505
Characteristics			
Wtg. Avg. Market Cap. (Bil)	139.0	138.5	134.9
Median Market Cap (Bil)	18.8	18.8	18.9
P/E Ratio	23.1	22.3	23.1
Yield	2.1	2.1	2.1
EPS Growth - 5 Yrs.	8.0	7.7	9.2
Price to Book	4.7	4.4	4.7
Beta (holdings; domestic)	1.0	1.0	1.0
Sector Distribution			
Energy	7.5	7.6	7.2
Materials	2.8	2.9	2.8
Industrials	10.3	10.2	10.1
Consumer Discretionary	12.0	12.0	12.3
Consumer Staples	9.4	9.4	9.9
Health Care	13.6	13.6	14.6
Financials	14.9	14.8	12.8
Information Technology	20.8	20.8	21.3
Telecommunication Services	2.7	2.7	2.6
Utilities	3.1	3.2	3.3
Real Estate	2.8	2.9	3.0

Northern Trust EAFE Index

As of December 31, 2016

Account Information

Account Name	**Northern Trust EAFE Index**
Account Structure	**Commingled Fund**
Investment Style	**Passive**
Inception Date	**9/01/15**
Account Type	**Non-US Stock All**
Benchmark	**MSCI EAFE**
Universe	

Portfolio Performance Summary

	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Northern Trust EAFE Index	-0.7	1.2	1.2	--	--	--	0.4	Sep-15
MSCI EAFE	*-0.7*	*1.0*	*1.0*	*-1.6*	*6.5*	*0.7*	*0.3*	*Sep-15*

Performance Summary Report

As of 12/31/2016

Region	Number Of Assets	% of Total	% of Bench	% Diff
North America ex U.S.	0	0%	0%	0%
United States	7	0%	0%	0%
Europe Ex U.K.	347	46%	45%	1%
United Kingdom	112	17%	18%	-1%
Pacific Basin Ex Japan	157	12%	12%	0%
Japan	329	24%	24%	0%
Emerging Markets	0	0%	0%	0%
Other	12	1%	1%	0%
Total	**964**	**100%**	**100%**	**0%**

Northern Trust EAFE Index Characteristics

	Portfolio Q4-16	Index Q4-16	Portfolio Q3-16
Market Value			
Market Value (Mil)	4.4	--	2.9
Number Of Holdings	964	930	959
Characteristics			
Wtg. Avg. Market Cap. (Bil)	50.9	50.6	52.5
Median Market Cap (Bil)	8.5	8.6	8.7
P/E Ratio	22.0	21.3	21.0
Yield	3.1	3.1	3.3
EPS Growth - 5 Yrs.	5.4	5.2	6.0
Price to Book	3.1	2.4	3.2
Beta (holdings; domestic)	1.0	1.0	1.0
Sector Distribution			
Energy	5.4	5.5	4.8
Materials	7.9	7.9	7.5
Industrials	14.0	14.0	14.0
Consumer Discretionary	12.5	12.5	12.2
Consumer Staples	11.2	11.1	12.9
Health Care	10.7	10.6	11.5
Financials	21.2	21.2	19.2
Information Technology	5.5	5.5	5.5
Telecommunication Services	4.5	4.5	4.8
Utilities	3.4	3.4	3.7
Real Estate	3.7	3.7	4.0

Account Information

Account Name	**BlackRock U.S. Debt Index**
Account Structure	**Other**
Investment Style	**Active**
Inception Date	**9/01/15**
Account Type	**US Fixed Income**
Benchmark	**BBgBarc US Aggregate TR**
Universe	

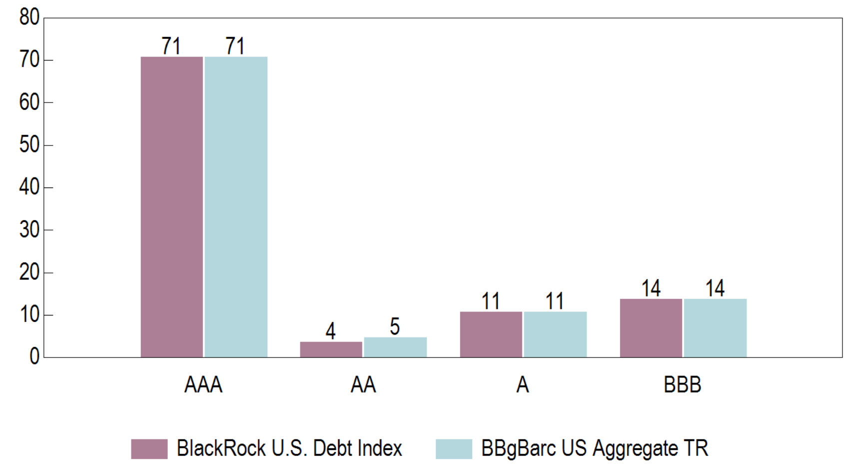
Portfolio Performance Summary

	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
BlackRock U.S. Debt Index	-3.0	2.7	2.7	--	--	--	2.1	Sep-15
BBgBarc US Aggregate TR	*-3.0*	*2.6*	*2.6*	*3.0*	*2.2*	*4.3*	*2.1*	*Sep-15*

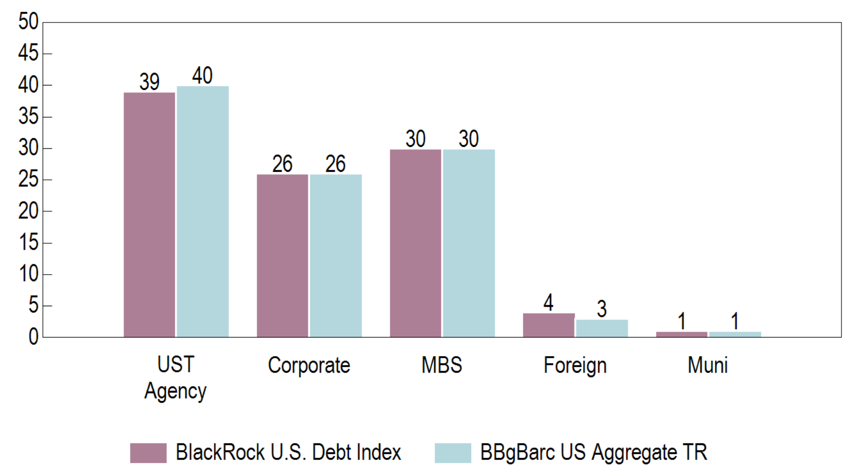
BlackRock US Debt Index Fund "B" Characteristics vs. BBgBarc US Aggregate TR

	Portfolio Q4-16	Index Q4-16	Portfolio Q3-16
Fixed Income Characteristics			
Yield to Maturity	2.6	2.5	1.9
Average Duration	5.7	5.9	5.3
Average Quality	AAA	AA	AA

Credit Quality Allocation



Sector Allocation



Investment Expense Analysis
As Of September 30, 2016

Name	Fee Schedule	Market Value	Estimated Fee Value	Estimated Fee
Domestic Equity		**$2,911,950**		
Northern Trust S&P 500 Index	0.035% of First $50.0 Mil, 0.030% of Next $50.0 Mil, 0.025% Thereafter	$2,911,950	$1,019	0.035%
International Equity		**$2,941,774**		
Northern Trust EAFE Index	0.050% of Assets	$2,941,774	$1,471	0.050%
Fixed Income		**$2,087,515**		
BlackRock U.S. Debt Index	0.050% of Assets	$2,087,515	$1,044	0.050%

2017 Annual Asset Study (Preliminary)

Each year, we revise our asset class expectations via our Asset Study.

This involves setting long-term expectations for a variety of asset classes for:

- Returns
- Standard Deviation
- Correlations

Our process relies on both quantitative and qualitative methodologies.

This document represents a selection of preliminary information and results from our 2017 Annual Asset Study.

The first step is to build our 10-year forecasts

- Our fundamental models are primarily valuation based.
  - Each model falls into one of eight groups, based on common factors:

Asset Class Category	Major Factors
Equities	Dividend Yield, GDP Growth, Valuation
Bonds	Yield to Worst, Default Rate, Recovery Rate
Commodities	Collateral Yield, Roll Yield, Inflation
Infrastructure	Public IS Valuation, Income, Growth
Natural Resources	Price per Acre, Income, Public Market Valuation
Real Estate	Cap Rate, Yield, Growth
Private Equity	EBITDA Multiple, Debt Multiple, Public VC Valuation
Hedge Funds and Other	Leverage, Alternative Betas

The next step is to move from 10-year to our 20-year forecasts:

- We do this by combining our 10-year forecasts with the historical returns for each asset class.
  - How much we apply to each depends on our confidence in them (both the model & the data).
    - The 10-year model weighting varies between 50% and 100%.
    - It only hits 100% when there is a lack of good historical data.
- We then infer a forecast of 10-year returns in ten years (i.e., years 11-20).
  - This allows us to test our assumptions with finance theory.
  - Essentially, we assume mean-reversion over the first ten years, then consistency with Capital Asset Pricing Model ("CAPM") thereafter.

The final step is to make any adjustments:

- The Investment Committee reviews the output and may make adjustments due to:
  - Quality of the underlying data
  - Confidence in the model
  - External inputs (e.g., perceived risks)

Don't forget about the other inputs; standard deviation and correlation.

- Standard deviation:
  - We review the trailing 10-year standard deviation, as well as the trailing 10-year skewness.
  - Historical standard deviation serves as the base for our assumptions.
  - We increase or decrease the assumptions based on the size and sign of the historical skewness.

Asset Class	Standard Deviation	Skewness	Assumption
Bank Loans	8.0%	-1.9	10.0%

  - We look at performance during the Global Financial Crisis ("GFC") to see if further changes are warranted (e.g., hedge funds).
  - We also adjust for private market asset classes with "smoothed" return streams.
- Correlation:
  - We use trailing 10-year correlations as our guide.
  - Again, we make adjustments for performance during the GFC and "smoothed" return streams.

Most of our adjustments are conservative in nature (i.e., they increase the standard deviation and correlation).

Asset Class Assumption Changes[1]

	2016 E(R) (%)	2017 E(R) (%)	Change (%)	Comments
U.S. Equity	7.8	7.5	-0.3	Higher prices and lower growth expectations
Developed Market Equity (non-U.S.)	8.1	7.3	-0.8	Lower growth expectations
Emerging Market Equity	10.5	9.8	-0.7	Higher prices and lower growth expectations
Investment Grade Bonds	3.6	3.5	-0.1	Higher rates offset by tighter spreads
TIPS	3.3	3.5	0.2	Higher inflation expectations
High Yield Bonds	6.8	6.0	-0.8	Rapid spread tightening in '16 following oil crisis
Bank Loans	5.7	5.5	-0.2	Lower spreads
Emerging Market Bonds (major)	5.9	5.5	-0.4	Lower yield
Private Equity/Debt	9.4	9.2	-0.2	Higher prices and lower coupons/yields
Real Estate	7.1	6.9	-0.3	Lower cap rates
Commodities	4.1	4.5	0.4	Higher inflation and cash expectations

- Due to lower growth expectations, our expectations for global equities have decreased. Higher prices in the U.S. also contributed to lower return expectations domestically.
- Our expectations for credit sectors (high yield bonds, bank loans, emerging market bonds) have decreased due to the tightening of credit spreads.
- Due to higher inflation expectations, our forecasts for TIPS and commodities have increased.

1 Items highlighted in green are asset classes in which the RHCTF is currently invested.

Asset Allocation Review for San Francisco Retiree Health Care Trust Fund and San Francisco Community College District Retiree Health Care Trust Fund

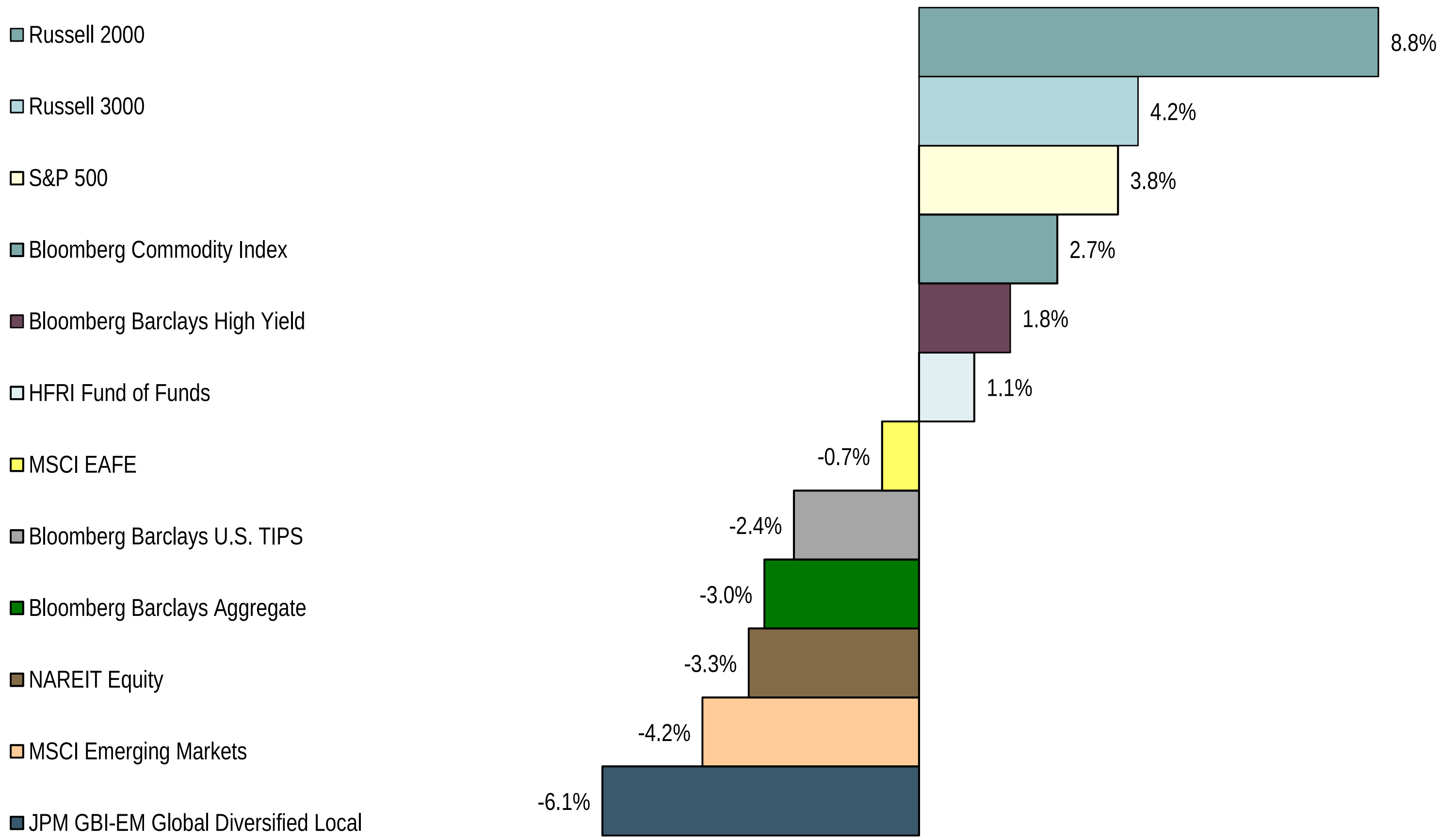
	2016 Annual Asset Study (%)	2017 Annual Asset Study (%)	Increase Equities (%)	Add Emerging Market Equities, Diversify Fixed Income (%)
Equities	74	74	88	74
U.S. Equity	37	37	44	35
Developed Market Equity (non-U.S.)	37	37	44	29
Emerging Market Equity	--	--	--	10
Fixed Income	26	26	12	26
Investment Grade Bonds	26	26	12	15
TIPS	--	--	--	5
High Yield Bonds	--	--	--	2
Bank Loans	--	--	--	2
Emerging Market Bonds (major)	--	--	--	2
Expected Return	*7.4*	*6.9*	*7.4*	*7.4*
Standard Deviation	*13.8*	*13.8*	*16.3*	*14.7*
Sharpe Ratio	*0.37*	*0.30*	*0.28*	*0.31*

- The expected return for the fund has decreased primarily due to a lower expected return for equities, particularly developed market equities (non-U.S).
- Maintaining a 7.4% expected return would require increasing the allocation to equities, or adding new asset classes.

Appendices

The World Markets
Fourth Quarter of 2016

The World Markets[1]
Fourth Quarter of 2016



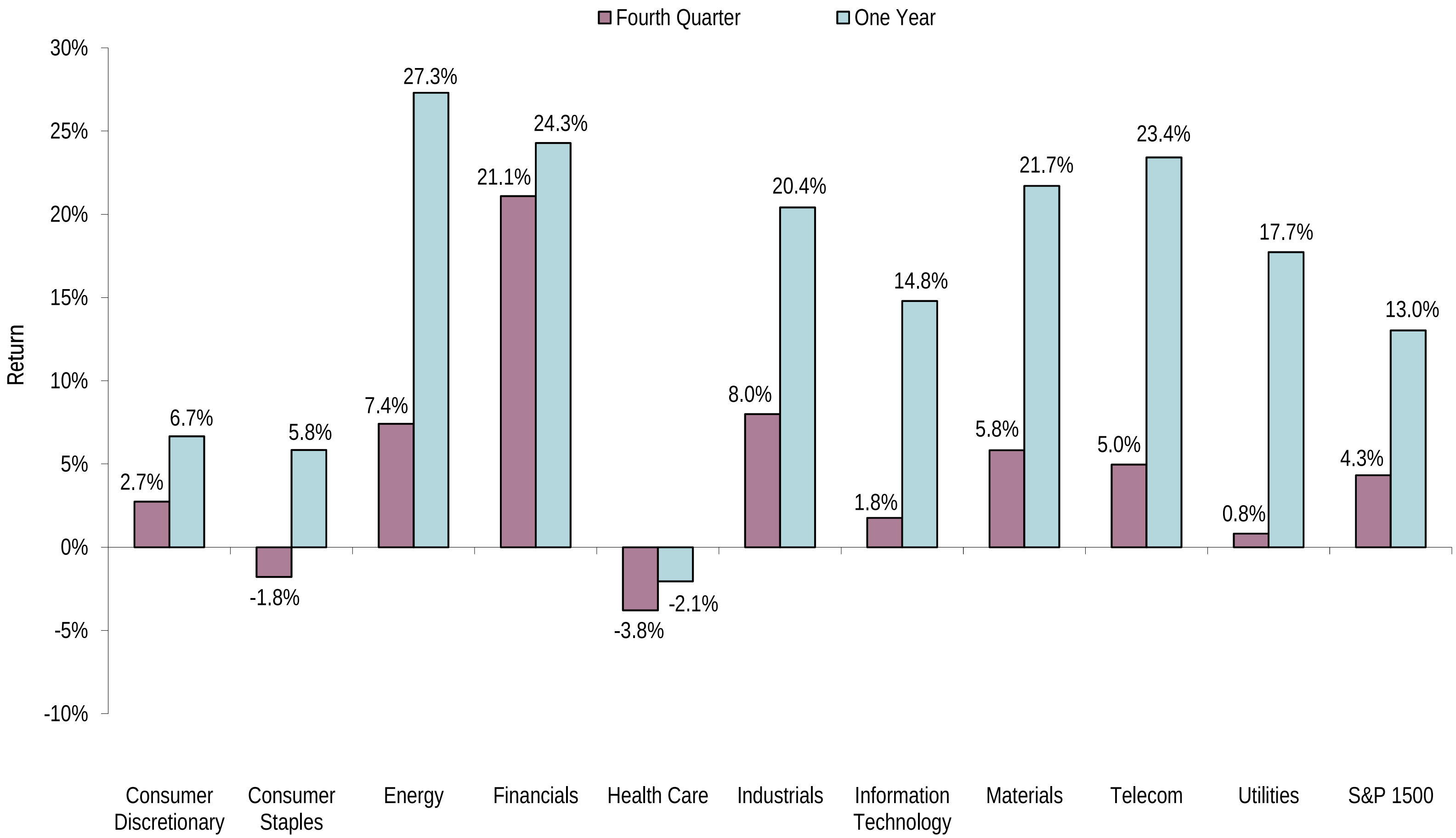
[1] Source: Thomson Reuters.

Index Returns[1]

	4Q16 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
Domestic Equity					
Russell 3000	4.2	12.7	8.4	14.7	7.1
Russell 1000	3.8	12.1	8.6	14.7	7.1
Russell 1000 Growth	1.0	7.1	8.6	14.5	8.3
Russell 1000 Value	6.7	17.3	8.6	14.8	5.7
Russell MidCap	3.2	13.8	7.9	14.7	7.9
Russell MidCap Growth	0.5	7.3	6.2	13.5	7.8
Russell MidCap Value	5.5	20.0	9.5	15.7	7.6
Russell 2000	8.8	21.3	6.7	14.5	7.1
Russell 2000 Growth	3.6	11.3	5.1	13.7	7.8
Russell 2000 Value	14.1	31.7	8.3	15.1	6.3
Foreign Equity					
MSCI ACWI (ex. U.S.)	-1.3	4.5	-1.8	5.0	1.0
MSCI EAFE	-0.7	1.0	-1.6	6.5	0.7
MSCI EAFE (local currency)	7.1	5.3	5.5	11.8	2.2
MSCI EAFE Small Cap	-2.9	2.2	2.1	10.6	2.9
MSCI Emerging Markets	-4.2	11.2	-2.6	1.3	1.8
MSCI Emerging Markets (local currency)	-1.4	9.7	2.8	5.6	4.4
Fixed Income					
Bloomberg Barclays Universal	-2.6	3.9	3.3	2.8	4.6
Bloomberg Barclays Aggregate	-3.0	2.6	3.0	2.2	4.3
Bloomberg Barclays U.S. TIPS	-2.4	4.7	2.3	0.9	4.4
Bloomberg Barclays High Yield	1.8	17.1	4.7	7.4	7.5
JPMorgan GBI-EM Global Diversified (Local Currency)	-6.1	9.9	-4.1	-1.3	3.8
Other					
NAREIT Equity	-3.3	8.6	12.7	12.0	5.1
Bloomberg Commodity Index	2.7	11.8	-11.3	-9.0	-5.6
HFRI Fund of Funds	1.1	0.7	1.3	3.5	1.3

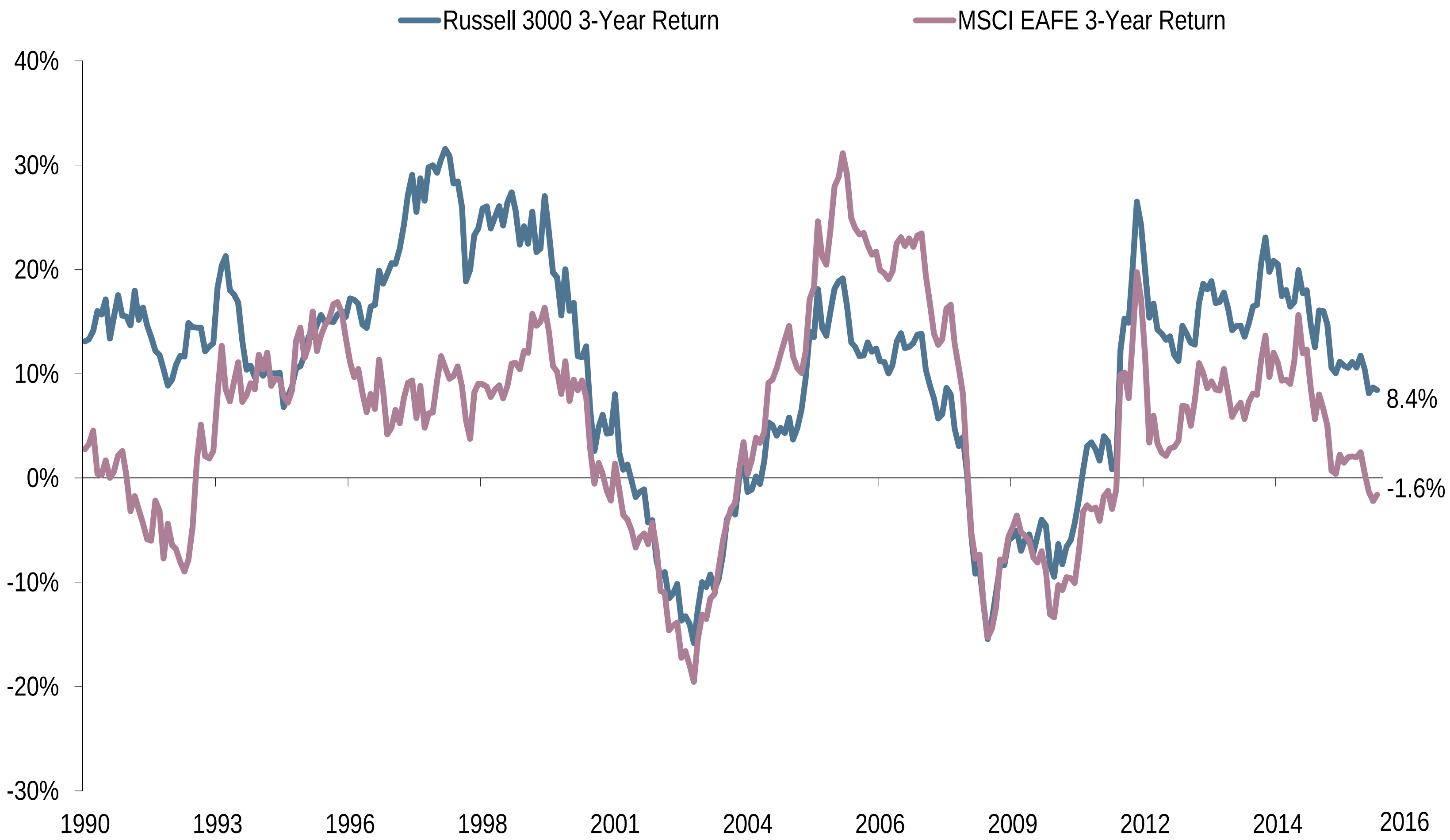
1 Source: Thomson Reuters.

S&P Sector Returns[1]



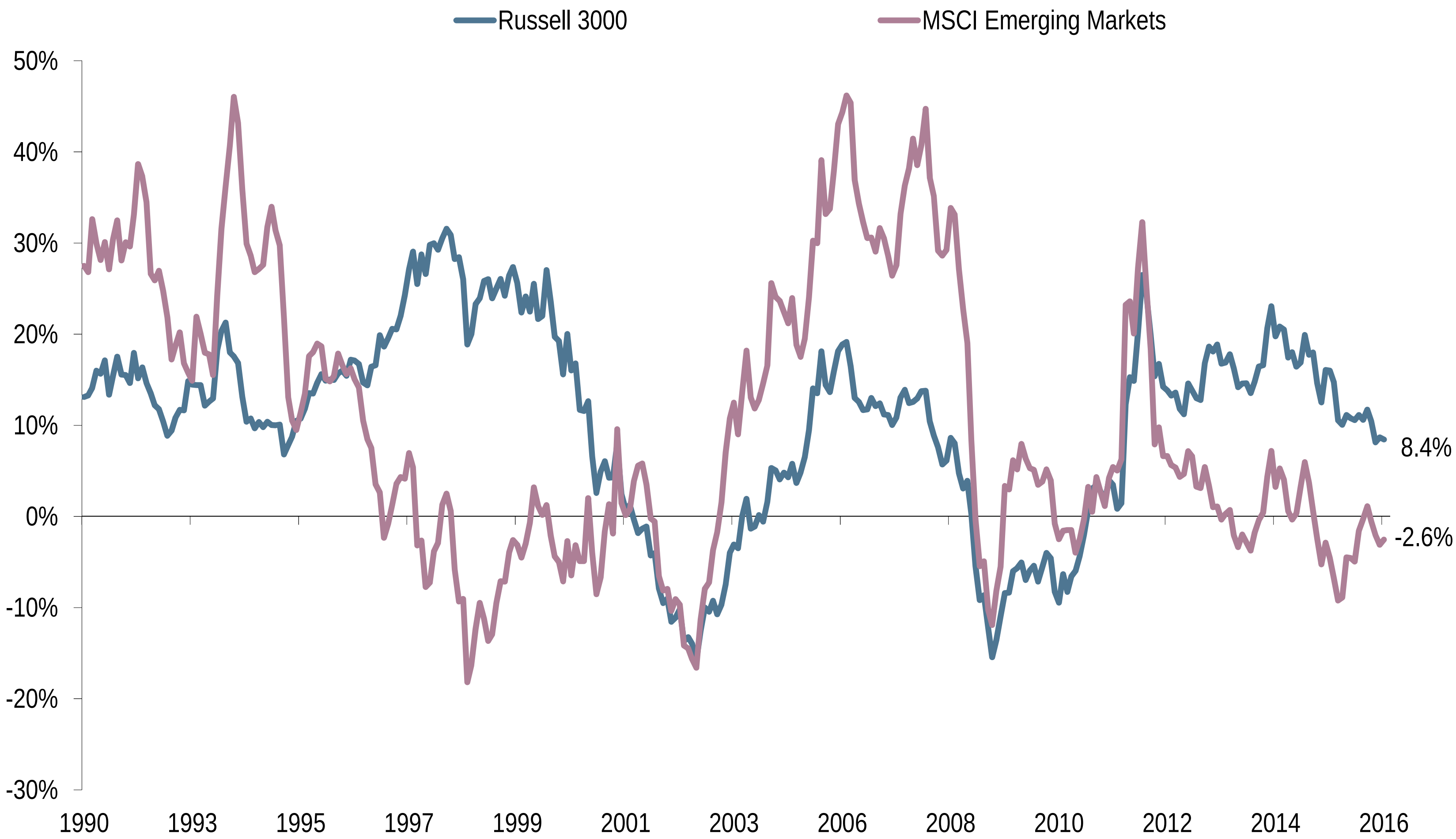
[1] Source: Thomson Reuters.

U.S. and Developed Market Foreign Equity Rolling Three-Year Returns[1]



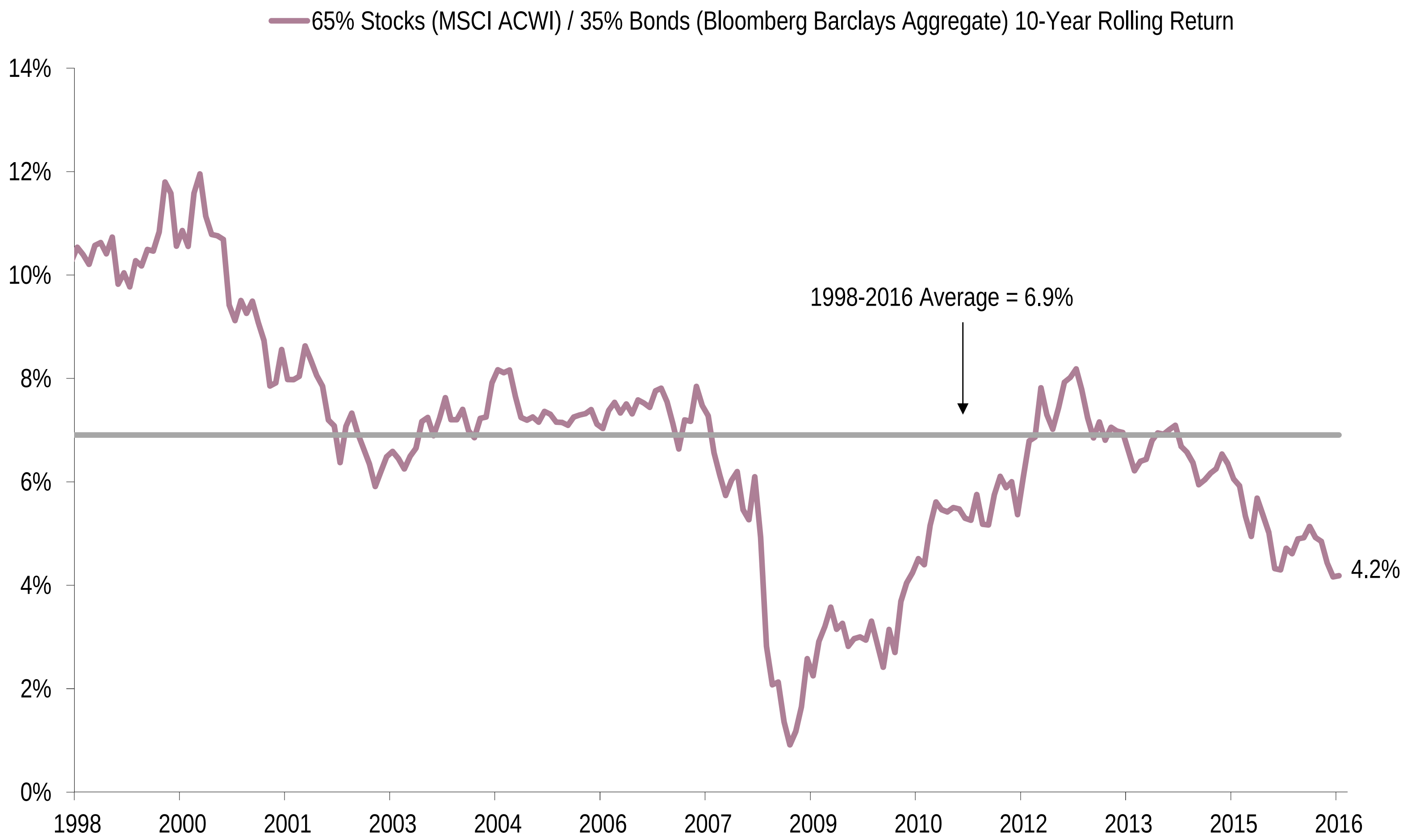
1 Source: Thomson Reuters.

U.S. and Emerging Market Equity Rolling Three-Year Returns[1]



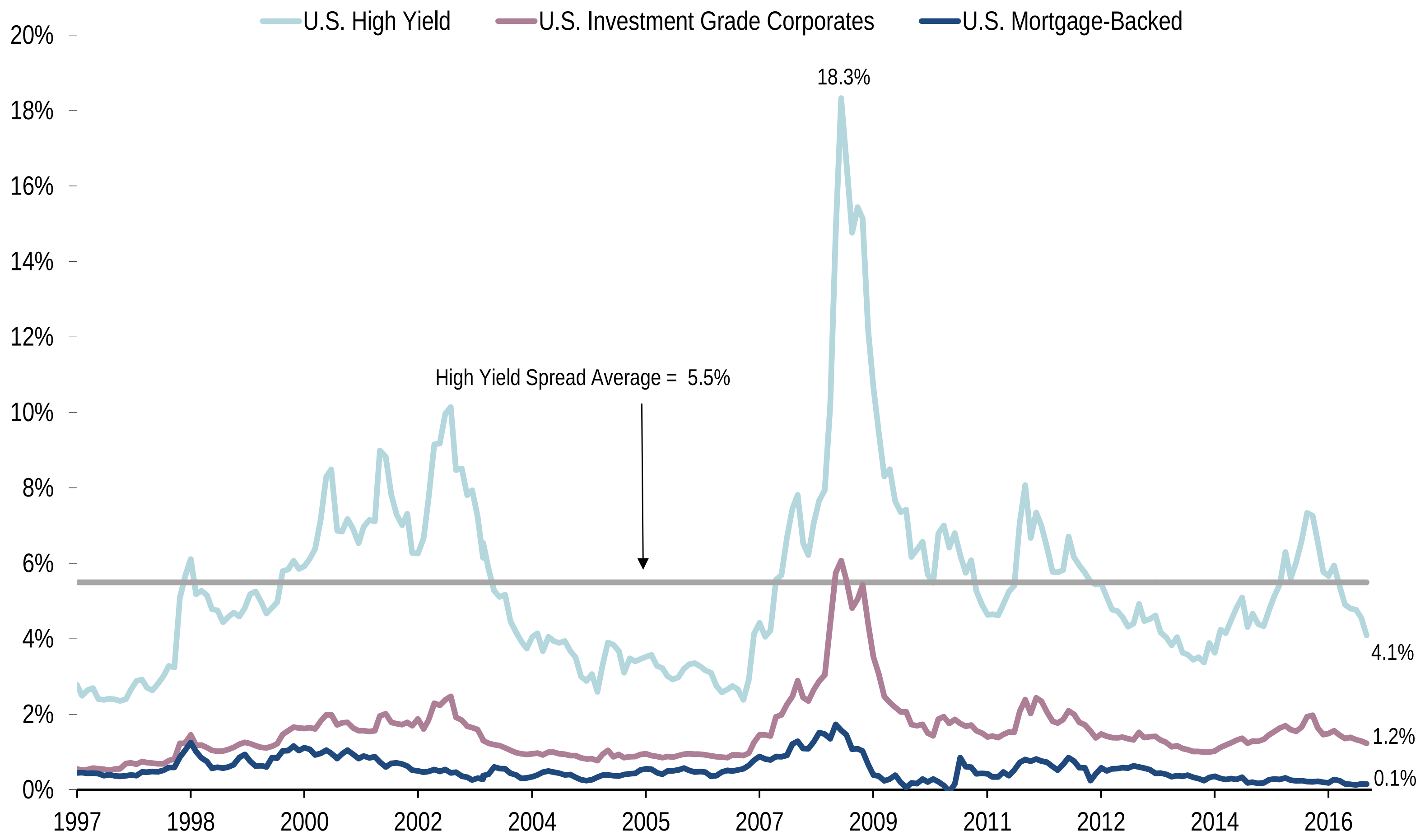
1 Source: Thomson Reuters.

Rolling Ten-Year Returns: 65% Stocks and 35% Bonds[1]



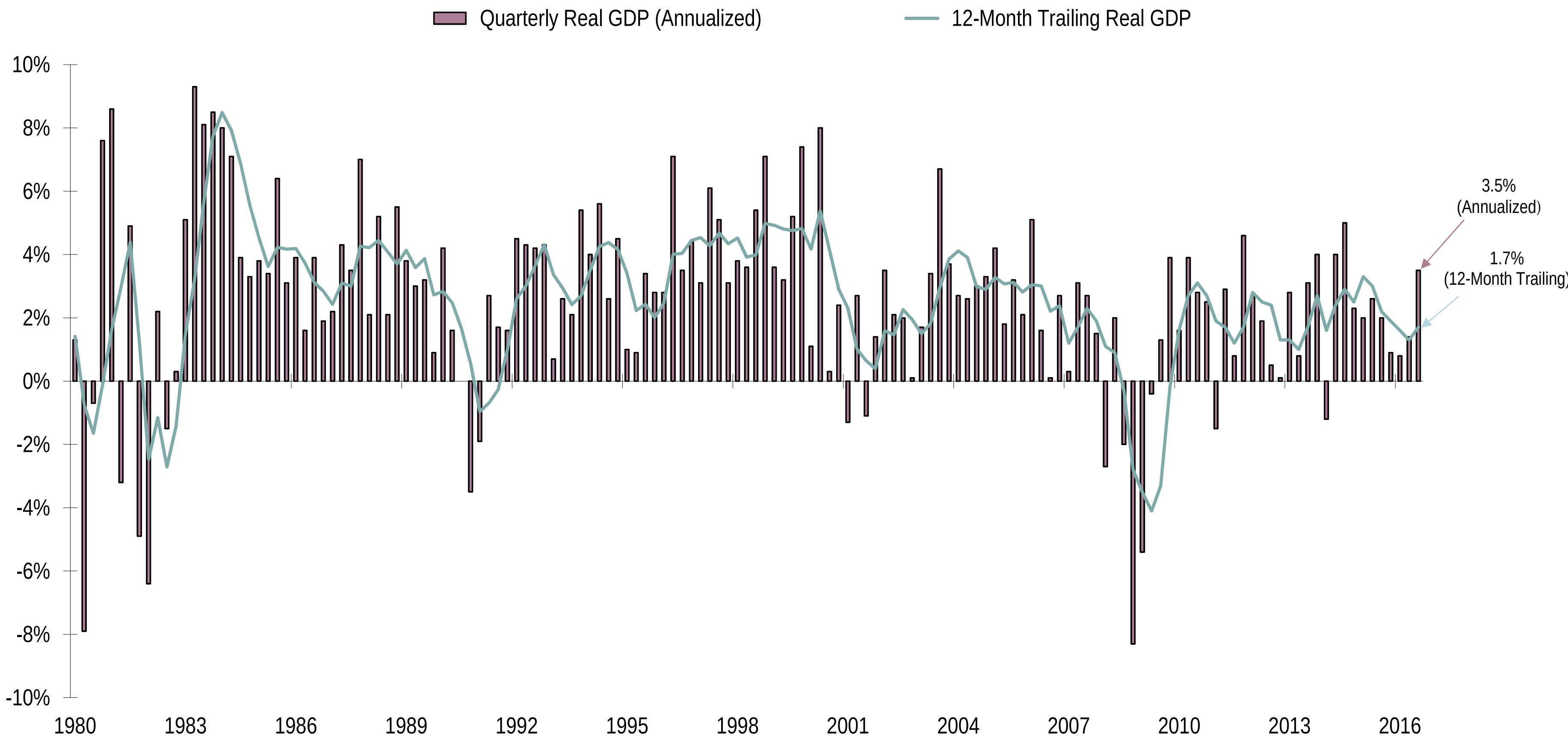
[1] Source: Thomson Reuters.

Credit Spreads vs. U.S. Treasury Bonds[1, 2]



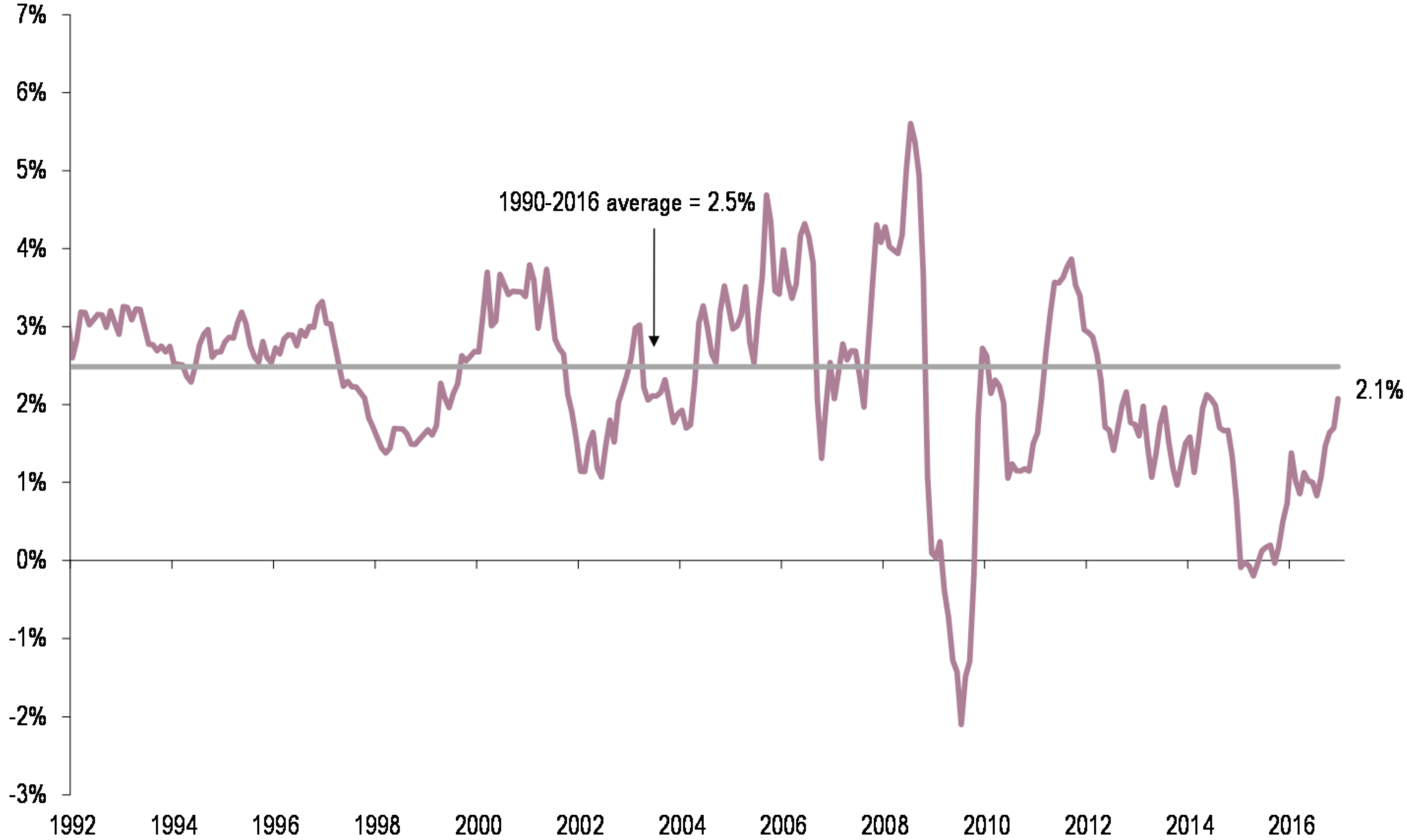
1 Source: Barclays Live.
2 The median high yield spread was 5.1% from 1997-2016.

U.S. Real Gross Domestic Product (GDP) Growth[1]



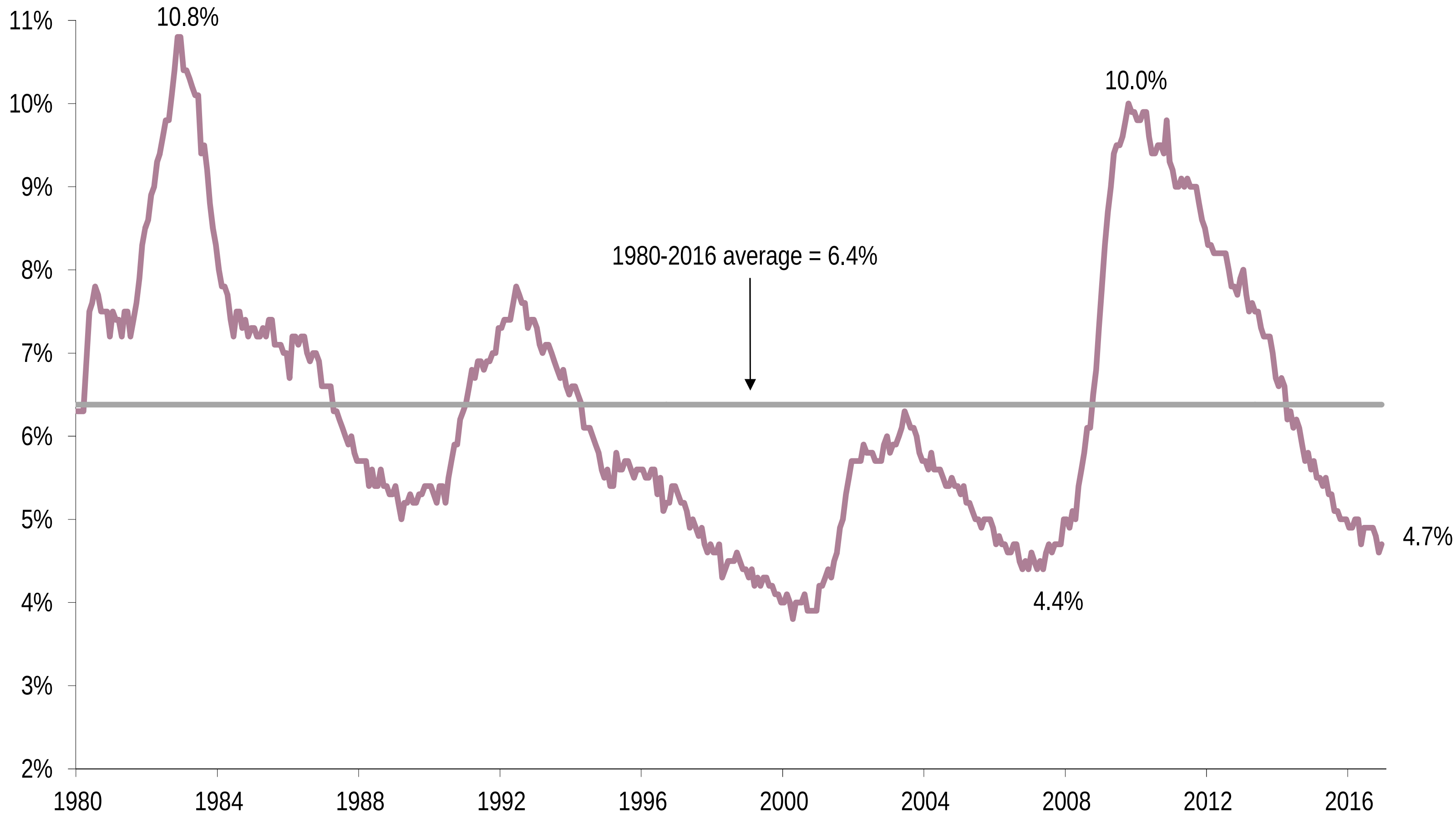
1 Source: Bureau of Economic Analysis. Fourth quarter GDP data is not yet available. Data is for the third quarter.

U.S. Inflation (CPI)
Trailing Twelve Months[1]



1 Source: Bureau of Labor Statistics. Data is non-seasonally adjusted CPI, which may be volatile in the short-term. Data is as of December 31, 2016.

U.S. Unemployment[1]



1 Source: Bureau of Labor Statistics. Data is as of December 31, 2016.

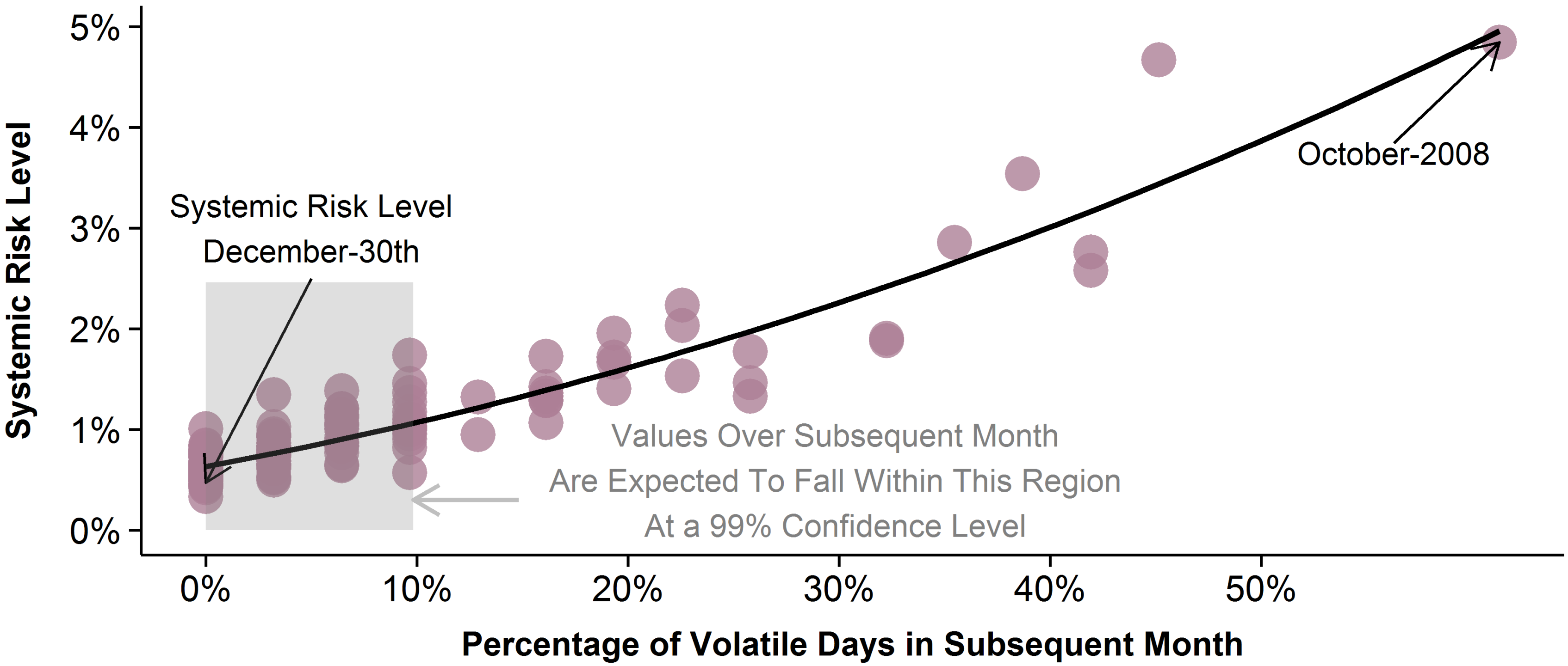
Capital Markets Outlook

Capital Markets Outlook[1]

- Investors are faced with three primary issues in the near-term: 1) historically low expected returns, 2) the potential for a transition into a rising rate environment, 3) potentially higher volatility as global political, fiscal, and monetary policy uncertainty remains high.
  - The price of the U.S. stock market relative to ten-year average earnings has trended up after the financial crisis, and remains above its historical average (25.3x versus 20.6x).
    - Valuations of small cap domestic stocks have spiked relative to large cap stocks after trending towards the historical average last year.
  - Developed international and emerging market stocks are trading at lower valuations than U.S. stocks.
    - Sovereign debt issues and weak economic growth in Europe, and a cyclical slowdown in emerging economies, are weighing down valuations.
  - At the end of December, spreads for high yield corporate and investment grade bonds (3.7% and 0.9%, respectively) are slightly to moderately below their long-term averages.
  - Despite a sharp increase during the fourth quarter, at 2.4%, the yield on the ten-year Treasury remained far below its post-WWII average of 5.4%.
  - Risk across markets measured by our Systemic Risk metric has reacted negatively to the recent increase of uncertainty within markets.
    - The 'Brexit' vote, the U.S. Presidential election, along with other political upheaval and monetary policy changes, will continue to have a meaningful impact.

[1] Sources: Bloomberg, U.S. Treasury, and Standard & Poor's. Data is as of December 31, 2016.

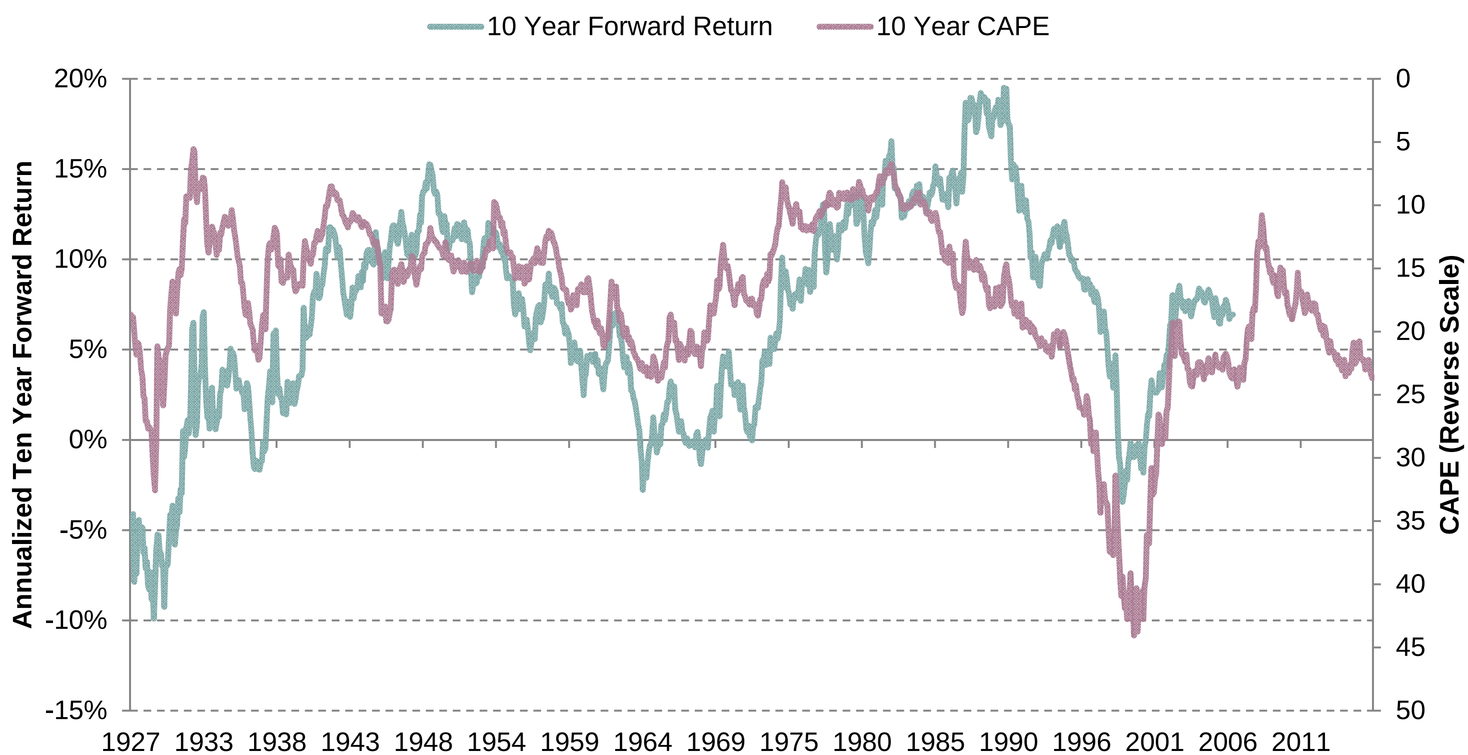
Systemic Risk and Volatile Market Days[1]



- Systemic Risk, which measures risk across markets, is important because the more contagion of risk that exists between assets, the more likely it is that markets will experience volatile periods.
- After a volatile start to the year in 2016, our Systemic Risk measure has returned to reasonable levels. While the number of volatile days can differ, this indicates that the next month should be in the lowest 10%.

1 Source: Meketa Investment Group, as of December 31, 2016. Volatile days are defined as the top 10 percent of realized turbulence which is a multivariate distance between asset returns.

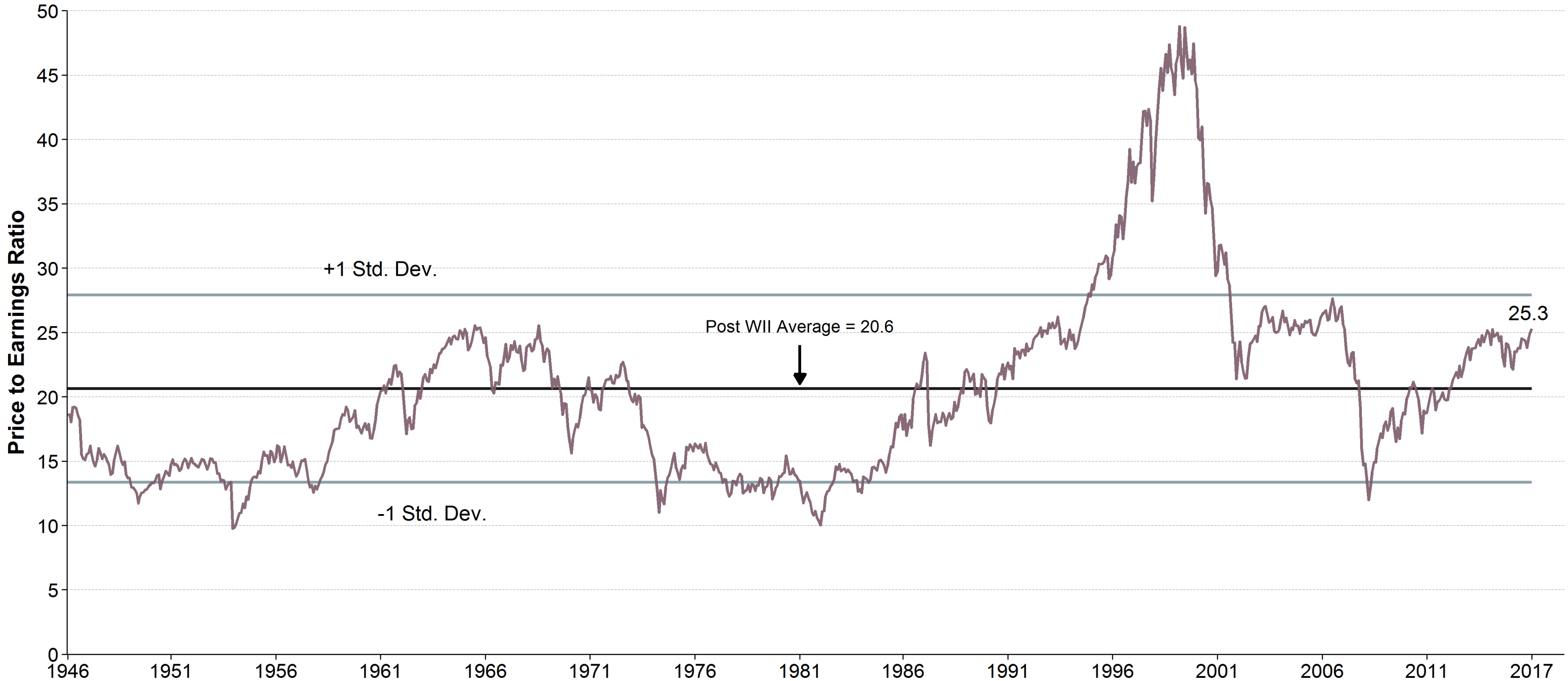
The U.S. Cyclically Adjusted P/E[1] and Long-Term Equity Returns



- One of the most powerful predictors of long-term equity returns has been the Cyclically Adjusted Price to Earnings Ratio (CAPE).
- This fundamentally driven measure is highly correlated with future returns, which are shown in the chart above using the CAPE metric on a reverse scale.

[1] Source: PE data are from Robert Shiller's website from 1926 - 1946; S&P and Bloomberg 1946 – present. S&P 500 equity returns are from Bloomberg for the entire period. Data is from May 31, 1926 to December 31, 2016.

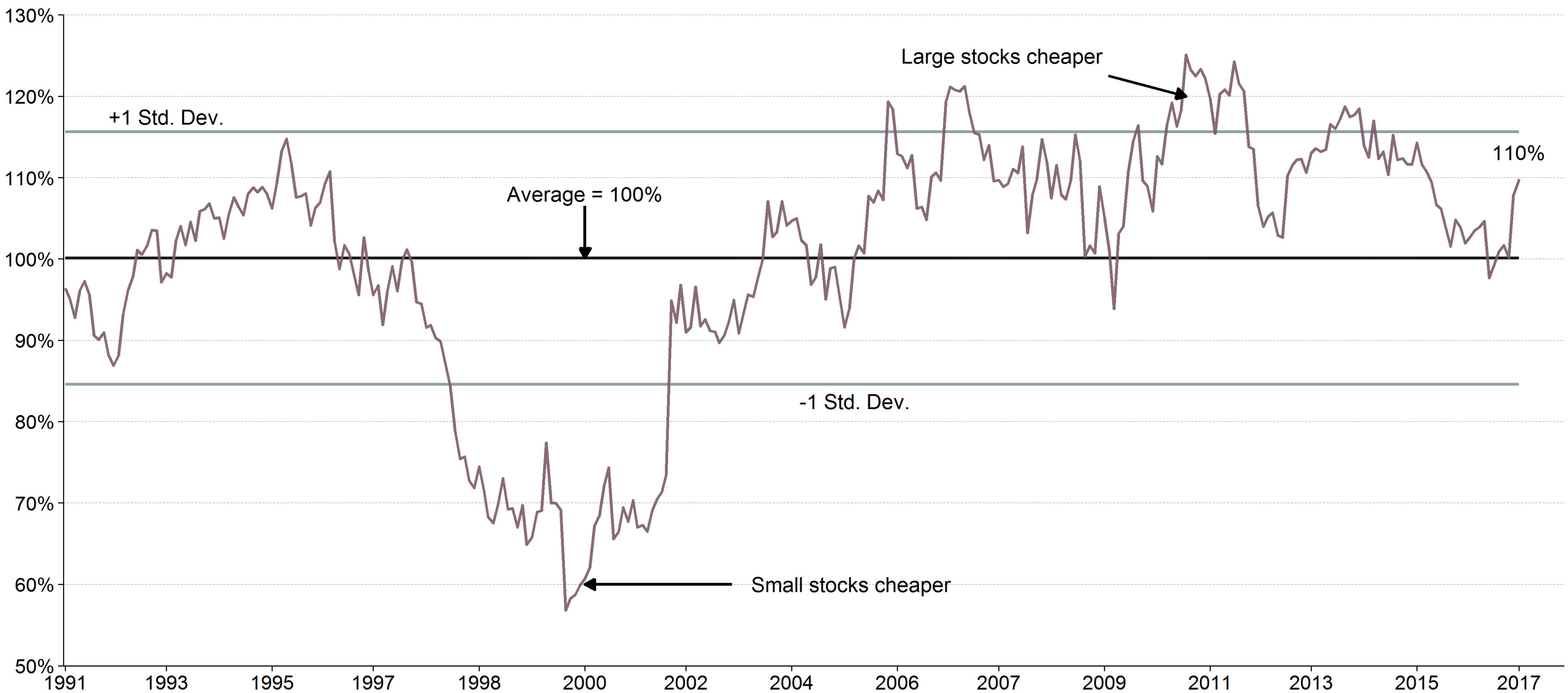
U.S. Equity Cyclically Adjusted P/E[1]



- The cyclically adjusted P/E ratio for the S&P 500 finished December at 25.3x, above its post-WWII average of 20.6x.
- Although recent equity performance has been strong, this metric remains slightly below the one standard deviation threshold. Historically, a P/E ratio at this level has led to below average future returns over a 10 year horizon.

[1] Source: Standard & Poor's. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is from January 31, 1946 to December 31, 2016.

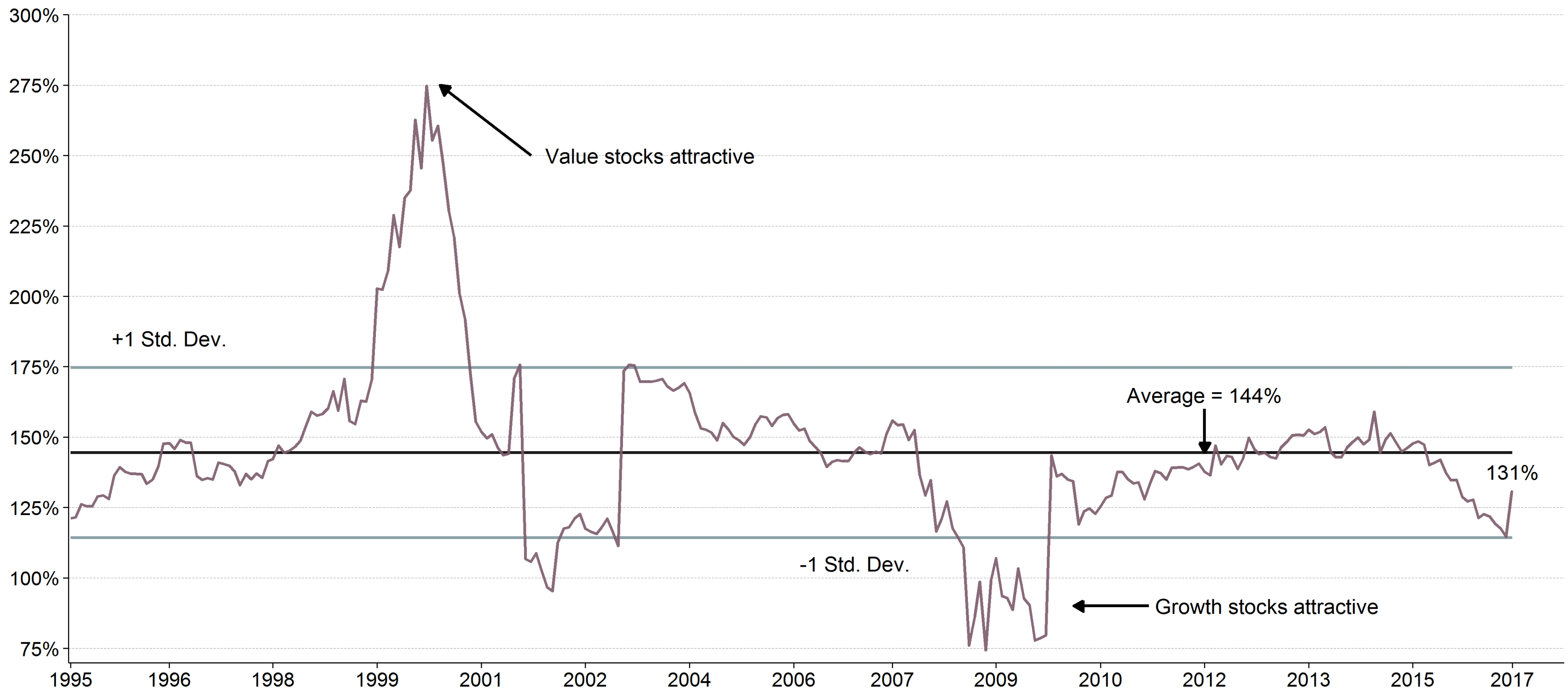
Small Cap P/E vs. Large Cap P/E[1]



- The P/E ratio of small cap stocks (Russell 2000) relative to large cap stocks (Russell 1000) recently spiked after trending toward its long term average over last year.
- This relative valuation metric has remained largely range bound since 2010 and remains below the one positive standard deviation threshold.

[1] Source: Russell Investments. Earnings figures represent 12-month "as reported" earnings. Data is as of December 31, 2016.

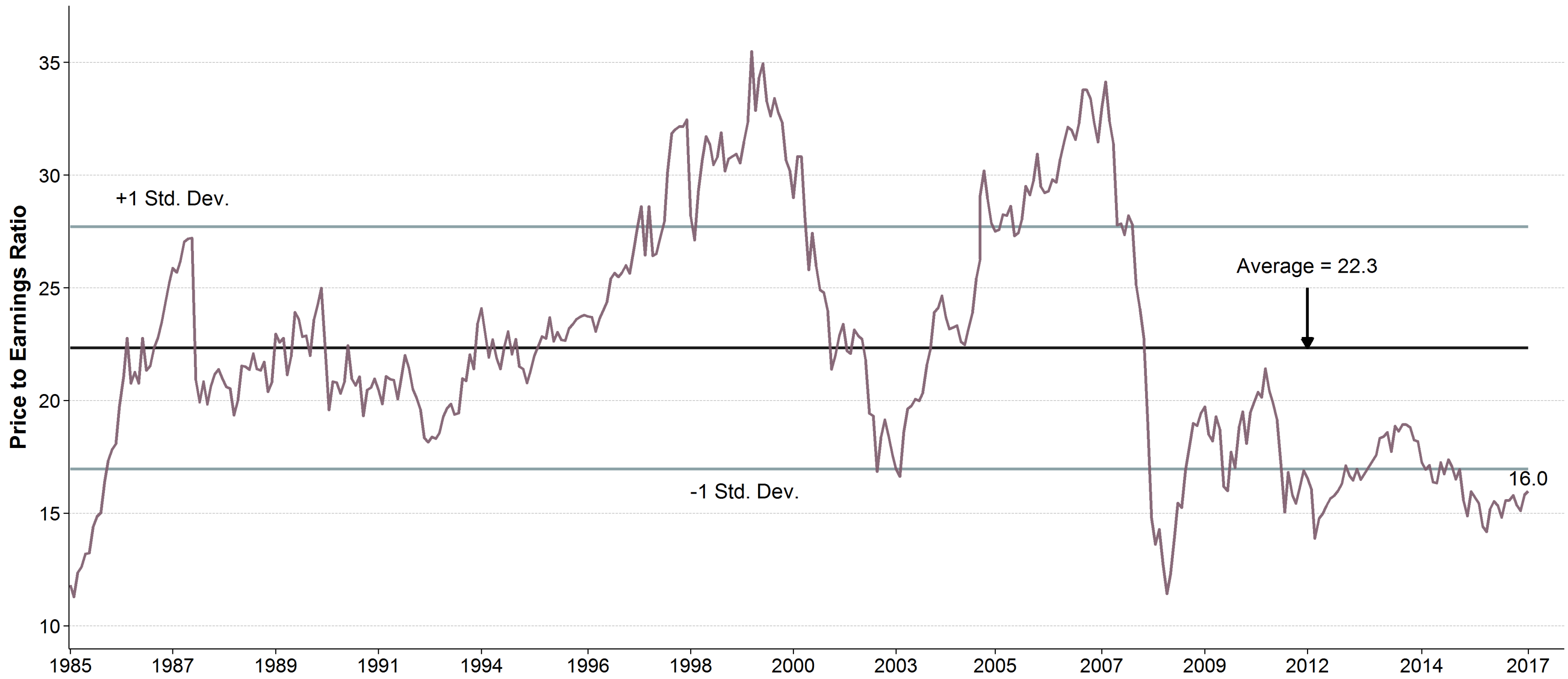
Growth P/E vs. Value P/E[1]



- The P/E ratio of growth stocks (MSCI Growth) relative to value stocks (MSCI Value) finished December at 131%, well above the trough in 2009, but still below its long-term average.
- Of note, the long-term average was sharply influenced by the technology bubble of the late 1990s.

1 Source: Bloomberg, MSCI, and Meketa Investment Group. Earnings figures represent 12-month "as reported" earnings. Data is as of December 31, 2016.

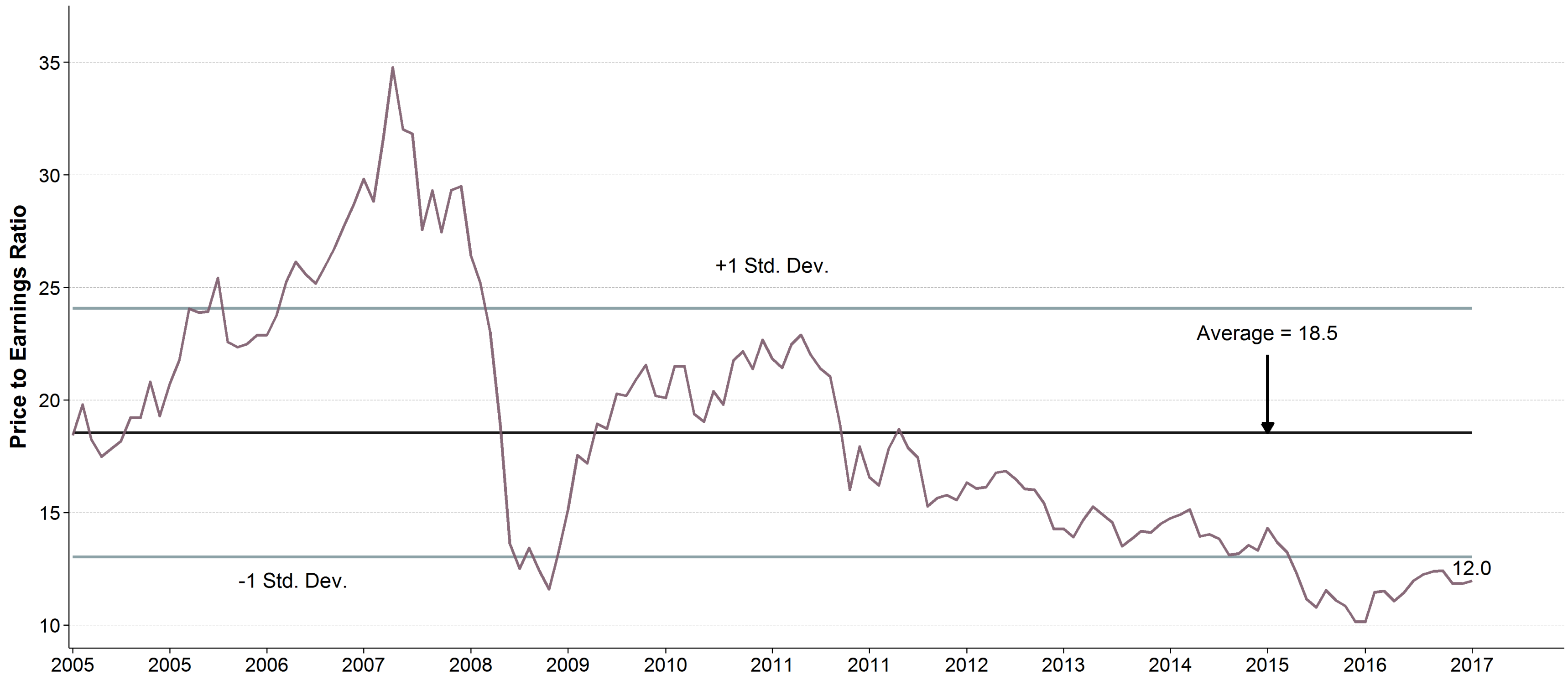
Developed International Equity Cyclically Adjusted P/E[1]



- Valuations for the MSCI EAFE (ex-Japan) remain more than one standard deviation cheaper than their historical average.
- Sovereign debt concerns and the slow pace of economic growth in Europe likely account for the low valuation levels.

1 Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of December 31, 2016.

Emerging Market Equity Cyclically Adjusted P/E[1]



- Emerging market equities (MSCI Emerging Markets) are priced more than one standard deviation below their (brief) historical average.
- By this metric, emerging market equities are trading at a much lower valuation than U.S. equities, and at a slightly lower valuation than non-U.S. developed market equities.

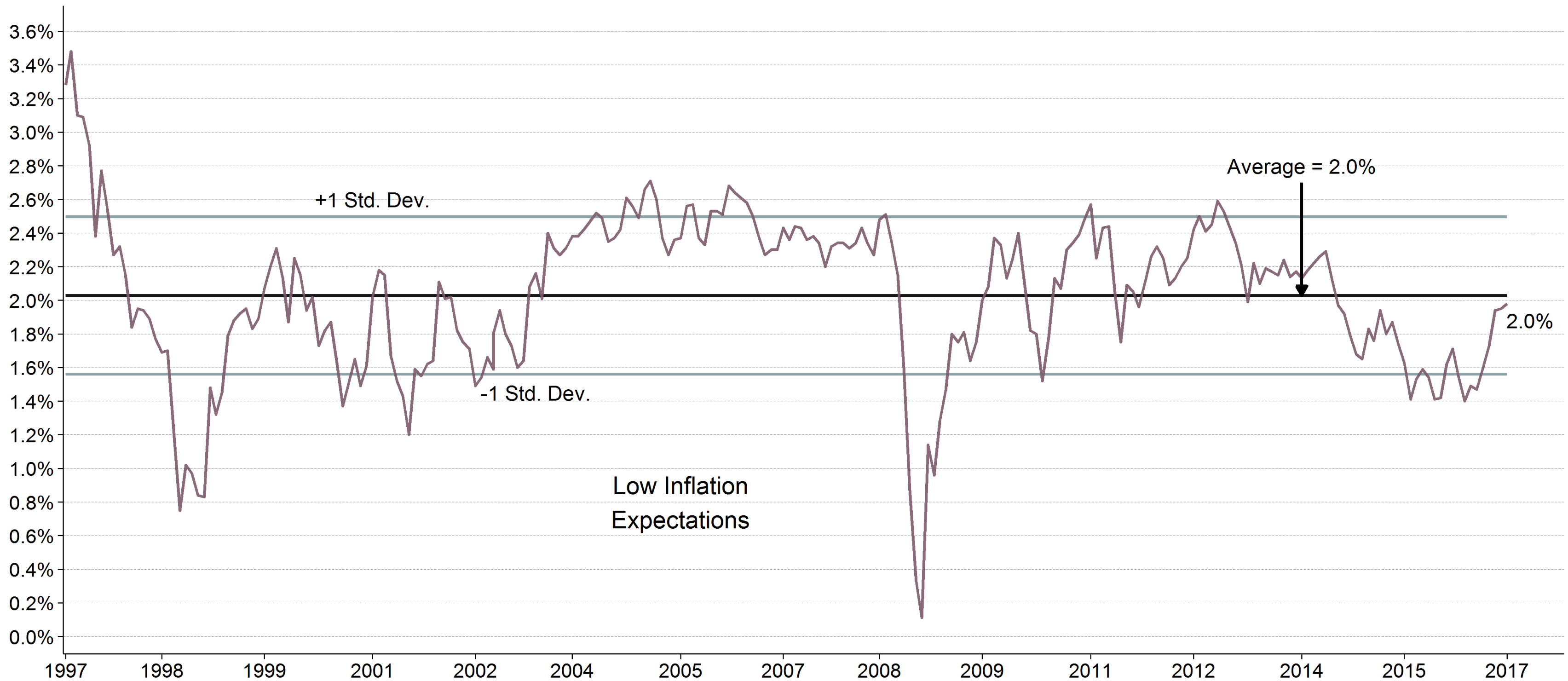
1 Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of December 31, 2016.

Ten-Year Treasury Yields[1]

- Ten-year Treasury yields finished December at 2.4%, still well below both their post-WWII average.
- Markets have begun to focus on the path of central bank interest rates; at the beginning of 2016, the FOMC began the first rising rate environment since 2006. They followed with another rate hike in December, and guidance is for multiple hikes to occur in 2017.

1 Source: U.S. Treasury. Data is as of December 31, 2016.

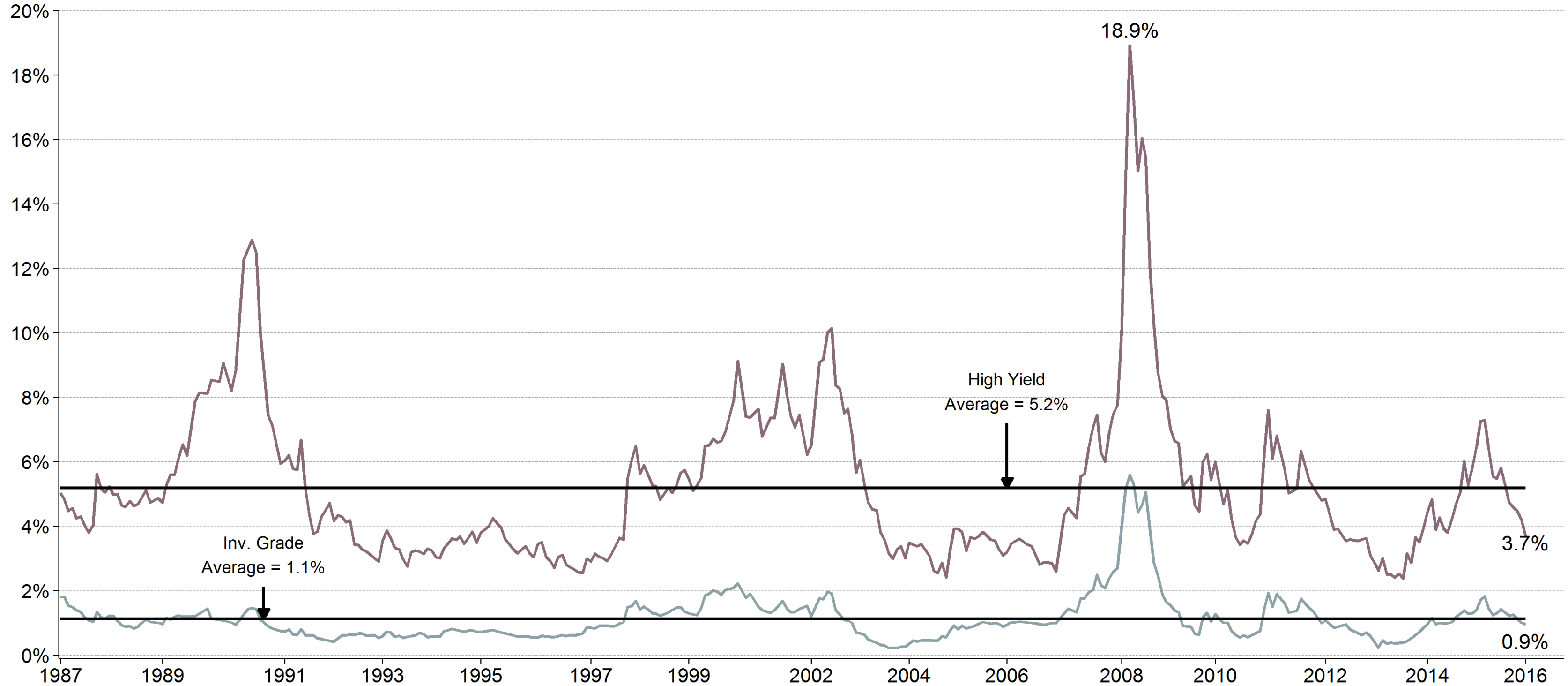
Ten-Year Breakeven Inflation[1]



- Breakeven (or expected) inflation, the difference between the nominal yield on a ten-year Treasury and the real yield on a ten-year TIPS, has returned to its long-term average.
- Sharp falls in commodity prices had put negative pressure on inflation. The most recent Year over Year (YoY) inflation rate was 1.7%, and deflation from commodities (especially energy) has been easing.

[1] Source: U.S. Treasury and Federal Reserve. Data is as of December 31, 2016 for TIPS and Treasuries. Inflation is measured by the Consumer Price Index (CPI-U NSA) for which the most recent data point is from November 30, 2016.

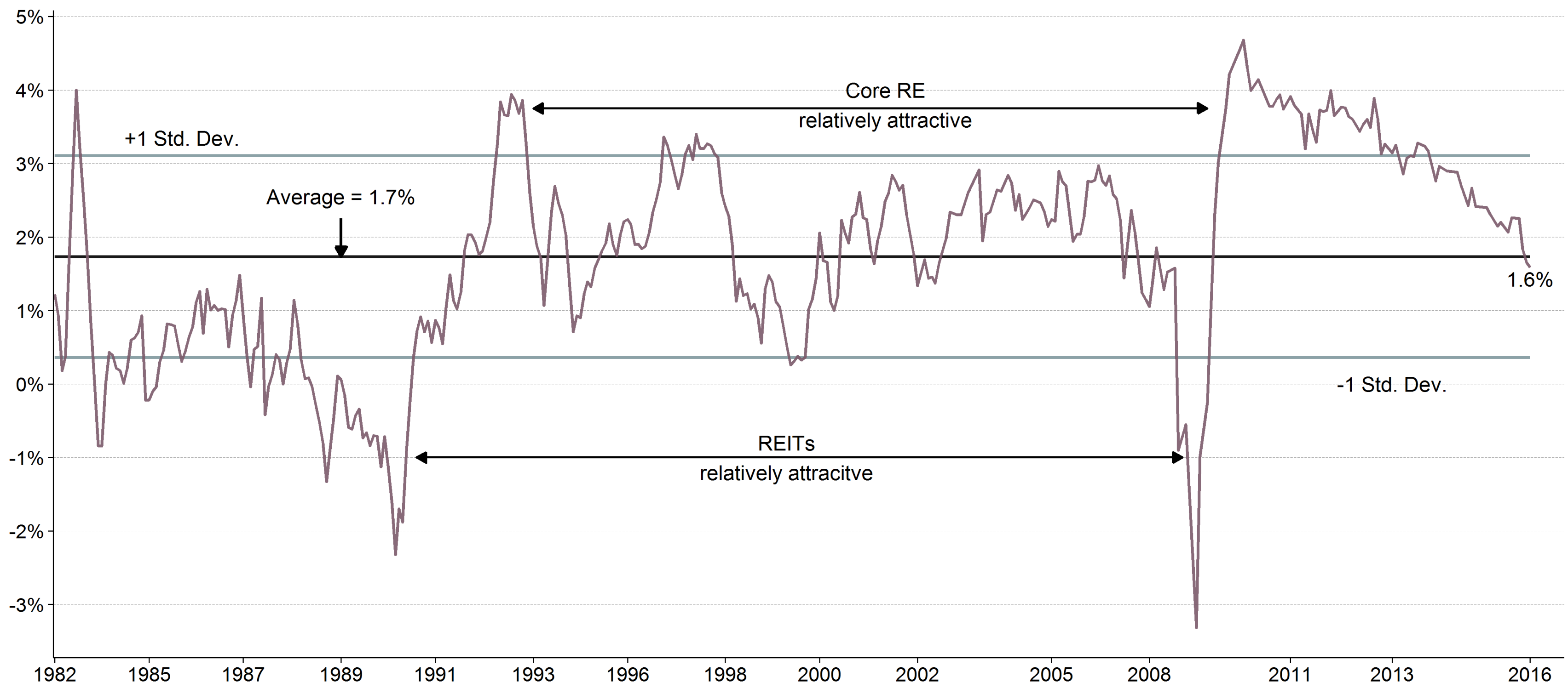
Credit Spreads[1]



- Credit spreads (versus U.S. Treasury bonds) for both high yield and investment grade corporate bonds finished December below their respective historical averages.
- Energy-market related jitters have subsided as can be seen in the high yield spread.

1 Source: Bloomberg. High Yield is proxied by the Bloomberg Barclays High Yield index and Investment Grade Corporates are proxied by the Bloomberg Barclays U.S. Corporate Investment Grade index. Data is as of December 31, 2016.

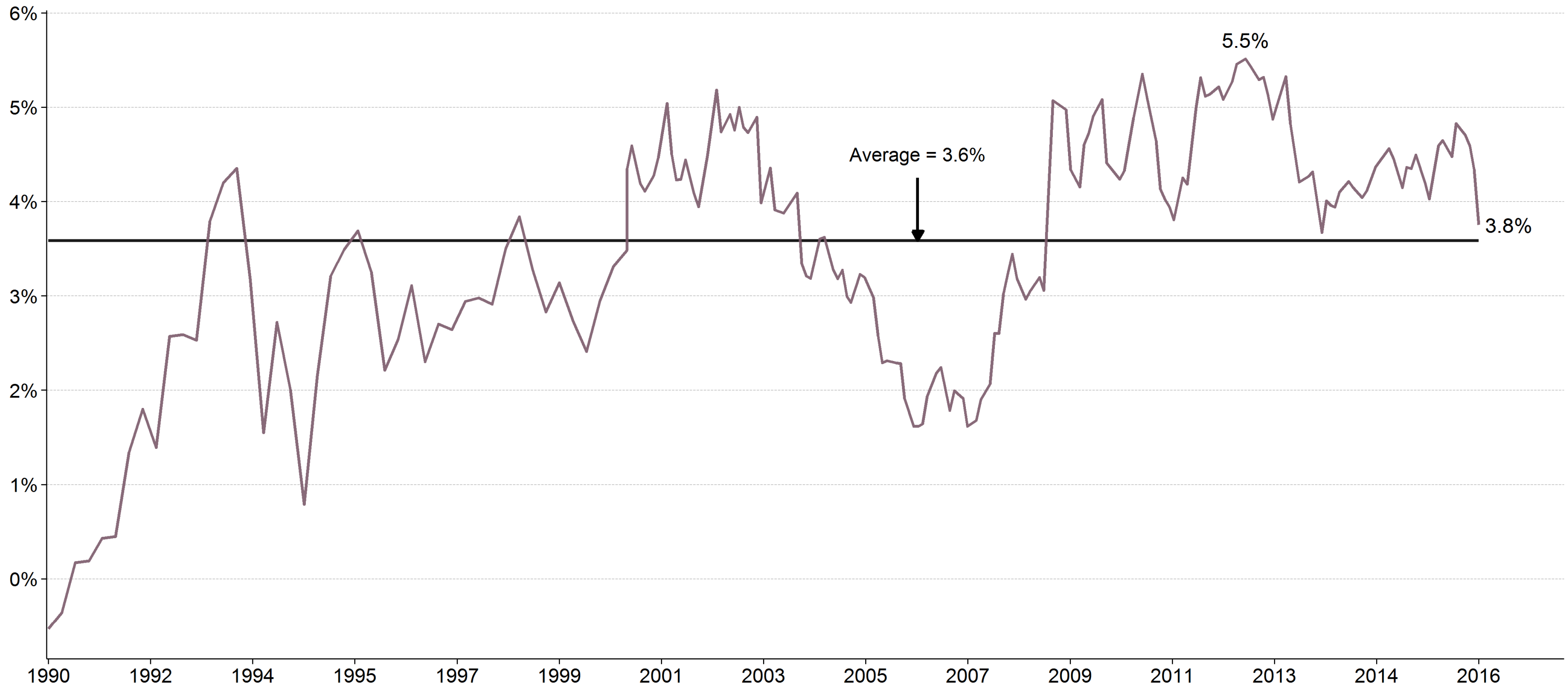
Core Real Estate vs. REITs[1]



- At the end of December, the spread between core real estate cap rates and REIT yields was 1.6%, dropping just below the long term historical average level.
- REITs were yielding 4.4%, well below the 10.1% level of early 2009.

[1] Sources: Bloomberg, Real Capital Analytics, NCREIF, and Meketa Investment Group. Core Real Estate is proxied by weighted sector transaction based indices from Real Capital Analytics and REITs are proxied by the yield for the NAREIT Equity index. Data is as of December 31, 2016.

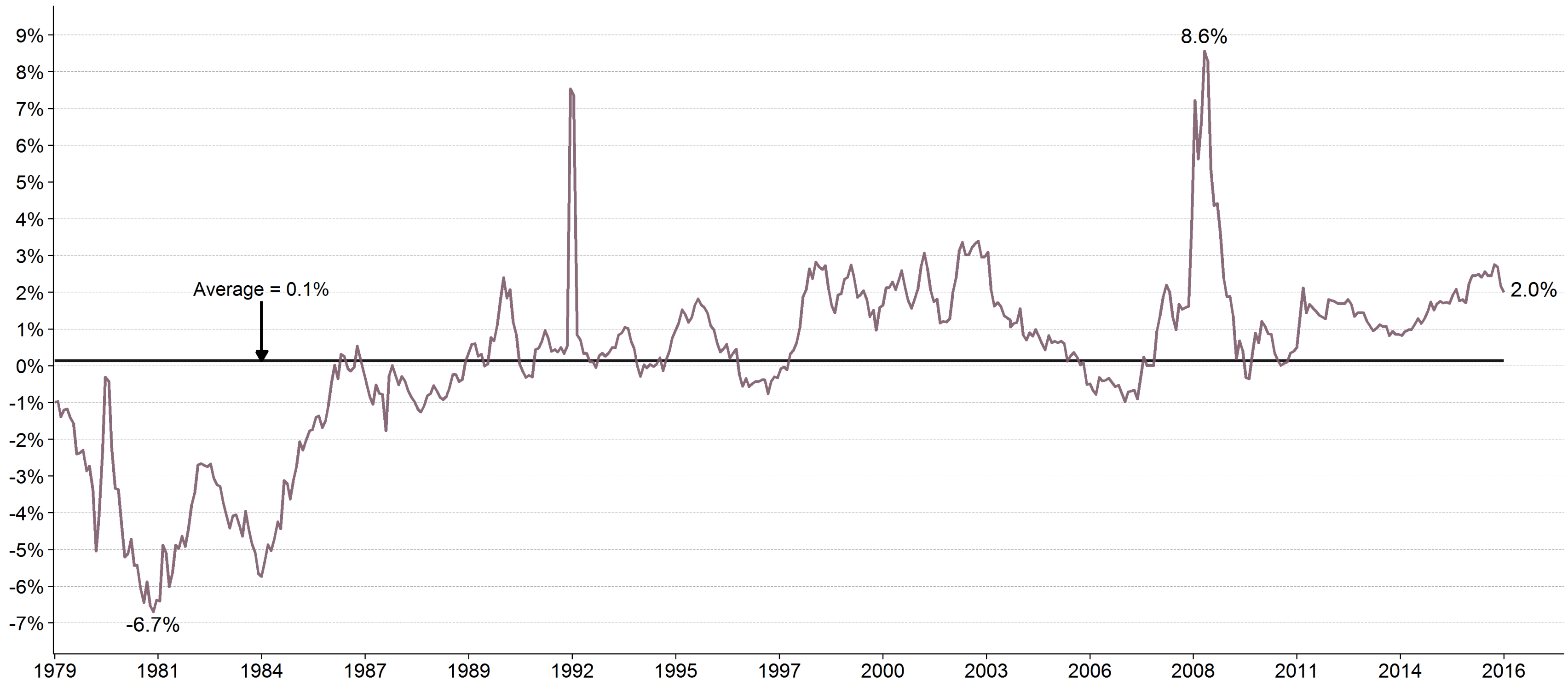
Core Real Estate Spread vs. Ten-Year Treasury[1]



- At 3.8%, the difference between the 6.1% cap rate for core real estate and the 2.4% yield for the ten-year Treasury has returned very near to its historical average.
- Still, the absolute level of core real estate cap rates is near a historical low.

1 Source: Real Capital Analytics, U.S. Treasury, Bloomberg, and Meketa Investment Group. Data is as of December 31, 2016.

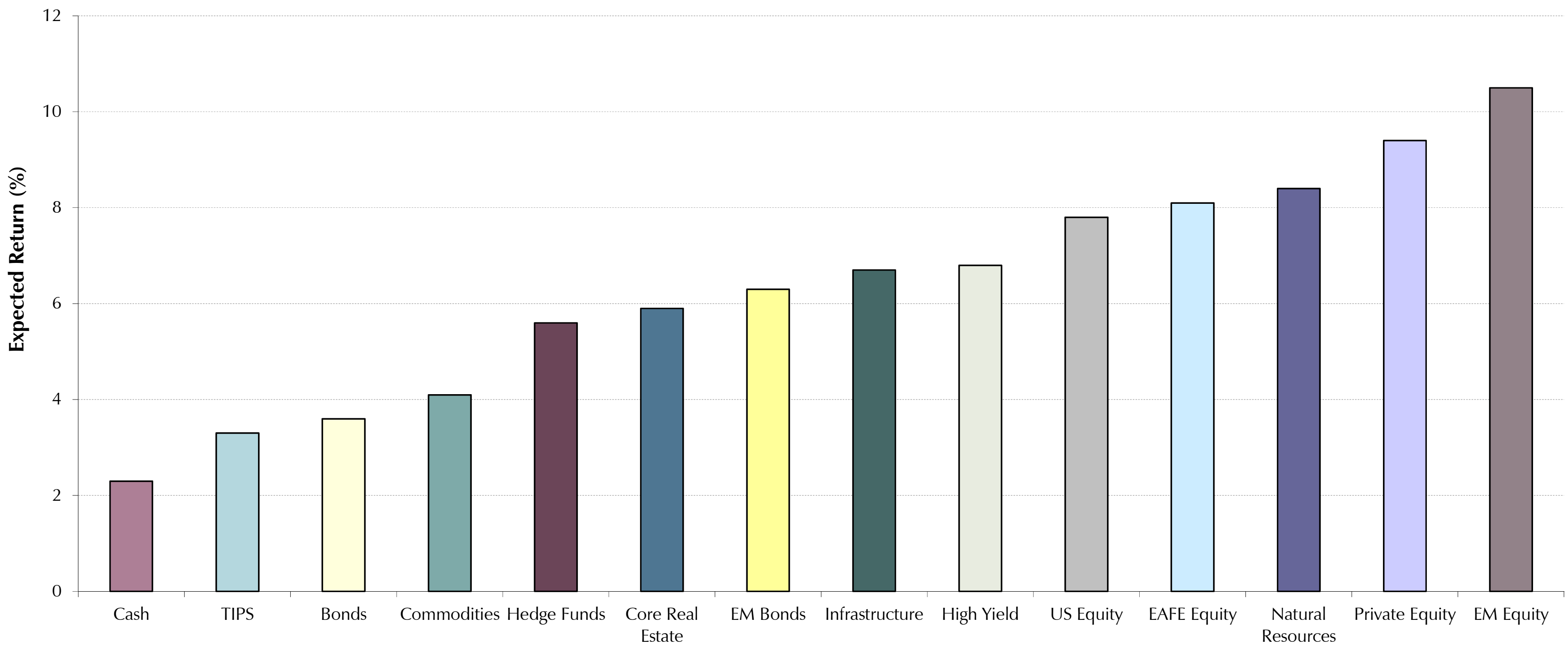
REITs Dividend Yield Spread vs. Ten-Year Treasury[1]



- REIT yield spreads were 2.0% at the end of December. This spread gradually increased through most of the year despite strong REIT performance.
- As with cap rates for core real estate, the absolute level of REIT dividend yields is near a historical low.

1 Source: NAREIT, U.S. Treasury. REITs are proxied by the yield for the NAREIT Equity index. Data is as of December 31, 2016.

Long-Term Outlook[1]



- Based on Meketa Investment Group's long-term expectations, only a handful of asset classes are priced to produce returns above 8% per year. All of these asset classes incorporate a high degree of volatility.

[1] Twenty-year expected returns based upon Meketa Investment Group's 2016 Annual Asset Study.

Total Return Comparison of Bloomberg Barclays U.S. Aggregate Minus Bloomberg Barclays U.S. TIPS[1]

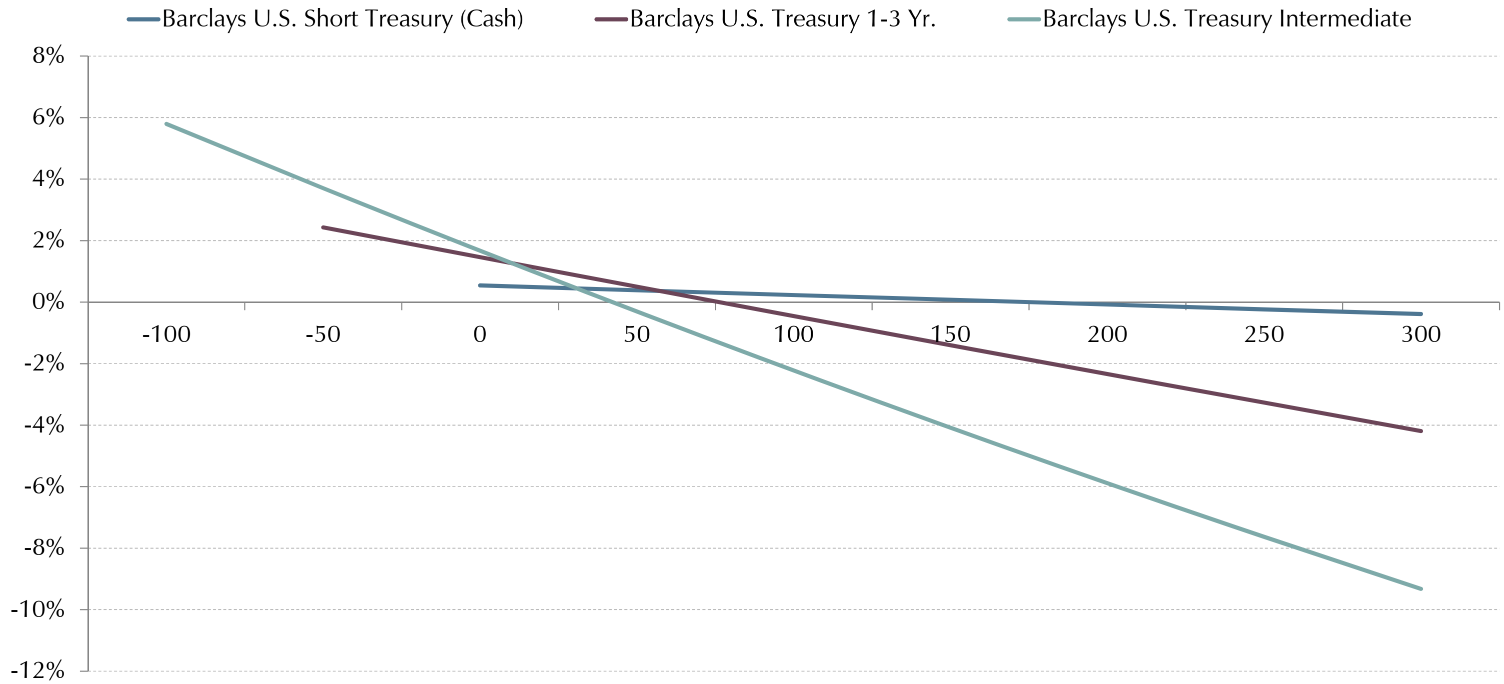
Inflation Rate Scenarios	Changes In Rates (bps): -100	-50	0	50	100
4.0%	-2.71%	-3.11%	-3.59%	-4.16%	-4.81%
3.0%	-1.71%	-2.11%	-2.59%	-3.16%	-3.81%
2.0%	-0.71%	-1.11%	-1.59%	-2.16%	-2.81%
1.0%	0.29%	-0.11%	-0.59%	-1.16%	-1.81%
0.0%	1.29%	0.89%	0.41%	-0.16%	-0.81%

Total Return Scenario: 100 bps Rate Increase and 2% Inflation

Total Return Over Longer Holding Periods	1 Year	3 Year	5 Year	7 Year	10 Year
Bloomberg Barclays U.S. Aggregate	-3.29%	1.13%	2.04%	2.43%	2.72%
Bloomberg Barclays U.S. Treasury U.S. TIPS	-0.48%	2.99%	3.70%	4.00%	4.23%

1 Data is as of December 31, 2016 via Bloomberg and Meketa Investment Group. Scenario assumes that the rate increase happens over one year.

Total Return Given Changes in Interest Rates (bps)[1]



	Total Return for Given Changes in Interest Rates (bps)									Statistics	
	-100	-50	0	50	100	150	200	250	300	Duration	YTW
Bloomberg Barclays U.S. Short Treasury (Cash)		0.7%	0.5%	0.4%	0.2%	0.1%	-0.1%	-0.2%	-0.4%	0.31	0.53%
Bloomberg Barclays U.S. Treasury 1-3 Yr.	3.4%	2.4%	1.5%	0.5%	-0.5%	-1.4%	-2.4%	-3.3%	-4.2%	1.94	1.46%
Bloomberg Barclays U.S. Treasury Intermediate	5.8%	3.7%	1.7%	-0.3%	-2.2%	-4.1%	-5.9%	-7.6%	-9.3%	4.01	1.67%
Bloomberg Barclays U.S. Treasury Long	22.5%	12.2%	2.9%	-5.4%	-12.6%	-18.8%	-24.1%	-28.2%	-31.4%	17.53	2.89%

[1] Data represents the expected total return from a given change in interest rates (shown in basis points) over a 12-month period assuming a parallel shift in rates. Data is as of December 31, 2016 via Bloomberg and Meketa Investment Group.

Global Macroeconomic Outlook
December 2016

Global Economic Outlook[1]

In 2017, the IMF is forecasting overall higher growth, but they highlight uncertainty related to policies of the new U.S. administration.

- The IMF's 2017 forecast for global growth is 3.4%, up from the 3.1% projection for 2016. A further increase to 3.6% is projected in 2018.
- In advanced economies, the IMF projections for 2017 and 2018 growth are 1.9% and 2.0%, respectively, up from the 1.6% estimate for 2016. The near term increases in growth are driven partly by anticipated U.S. fiscal stimulus. Despite the subdued market reaction to the "Brexit" vote, risks to growth and investment remain, particularly for the U.K.
- Growth projections for emerging economies are higher in 2017 (4.5%) and 2018 (4.8%) compared to the 4.1% estimate for 2016. Within emerging market countries, economic conditions remain varied. Russia and Brazil are expected to emerge from recessions, while China's growth is projected to continue to slow. India remains a bright spot with growth projections of close to 8.0% in 2018.
- Inflation expectations continue to trend upward in light of wage pressures and potential fiscal policies.

	Real GDP (%)			Inflation (%)		
	IMF 2017 Forecast	IMF 2018 Forecast	Actual 10 Year Average	IMF 2017 Forecast	IMF 2018 Forecast	Actual 10 Year Average
World	3.4	3.6	3.5	3.3	3.3	3.9
U.S.	2.3	2.5	1.3	2.3	2.6	1.8
European Union	1.7	1.8	0.9	1.3	1.6	1.7
Japan	0.8	0.5	0.4	0.5	0.6	0.3
China	6.5	6.0	9.0	2.3	2.4	2.9
Emerging Markets (ex. China)	3.2	4.0	4.1	5.9	5.1	6.6

1 Source: IMF. World Economic Outlook. October 2016 edition and January 2017 update. "Actual 10 Year Average" represents data from 2007 to 2016. Data after 2015 is an estimate.

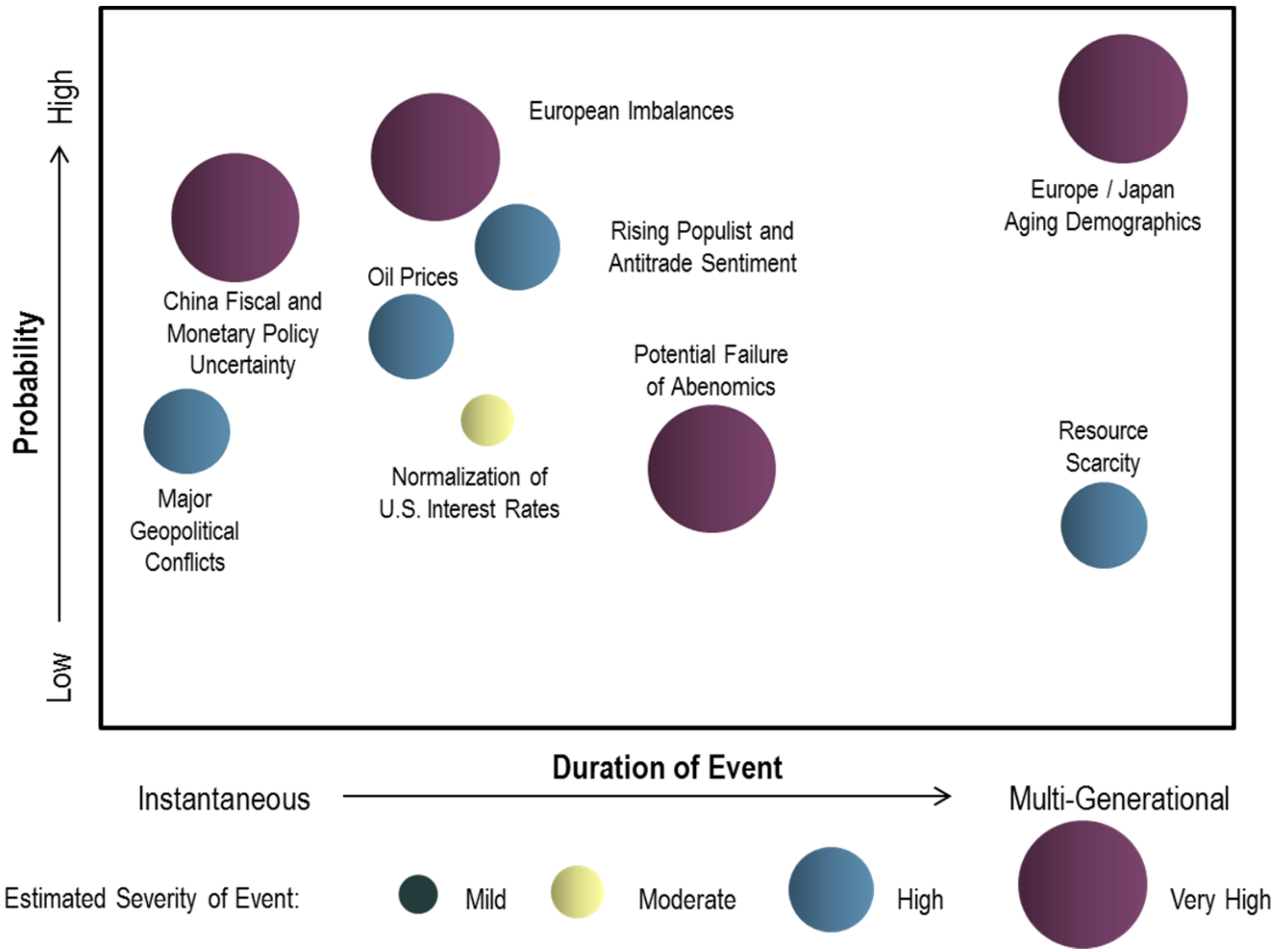
Global Economic Outlook, Continued

Fiscal stimulus in the U.S. is likely going forward and will have a global impact. The balance of fiscal and monetary policy will be a key issue.

- In a move that was largely anticipated by the markets, the Federal Reserve made their only rate increase in 2016 (0.50% to 0.75%) in December. After the presidential election, expectations for the pace of tightening increased given the pro-growth policies of the new administration. The pace and timing of fiscal and monetary stimulus will be key considerations in the U.S.
- In December, the European Central Bank (ECB) pledged to extend its bond-buying program (i.e., quantitative easing) until the end of 2018, while lowering monthly purchases starting in April 2017 from 80 billion euros to 60 billion euros. They continue to keep interest rates at record lows with the bank deposit rate at -0.4% and its key interest rate at close to 0%.
- The Bank of Japan (BOJ) made no changes to its policies at the year-end meeting. They will maintain the scale of their asset purchase program, keep bank deposit rates negative (-0.1%), and continue to target a 0% yield on the 10-year Japanese government bond. The latter was a recent change in policy targeted to alleviate the pressure on banks from narrowing margins.
- In the fourth quarter, China's economy grew above expectations at 6.8%, driven by continued government spending and historic bank lending. Corporate debt levels, a hot property market, capital outflows, and the relationship with the new U.S. administration are key issues for the world's second largest economy.

Several issues are of primary concern: 1) increased populist and antitrade sentiment globally; 2) uncertainty related to the U.S. economy and policies; 3) declining growth in China, along with uncertain fiscal and monetary policies; 4) continued economic sluggishness in Europe, and risks related to the U.K.'s exit from the European Union; 5) divergent growth in emerging economies.

Macroeconomic Risk Matrix



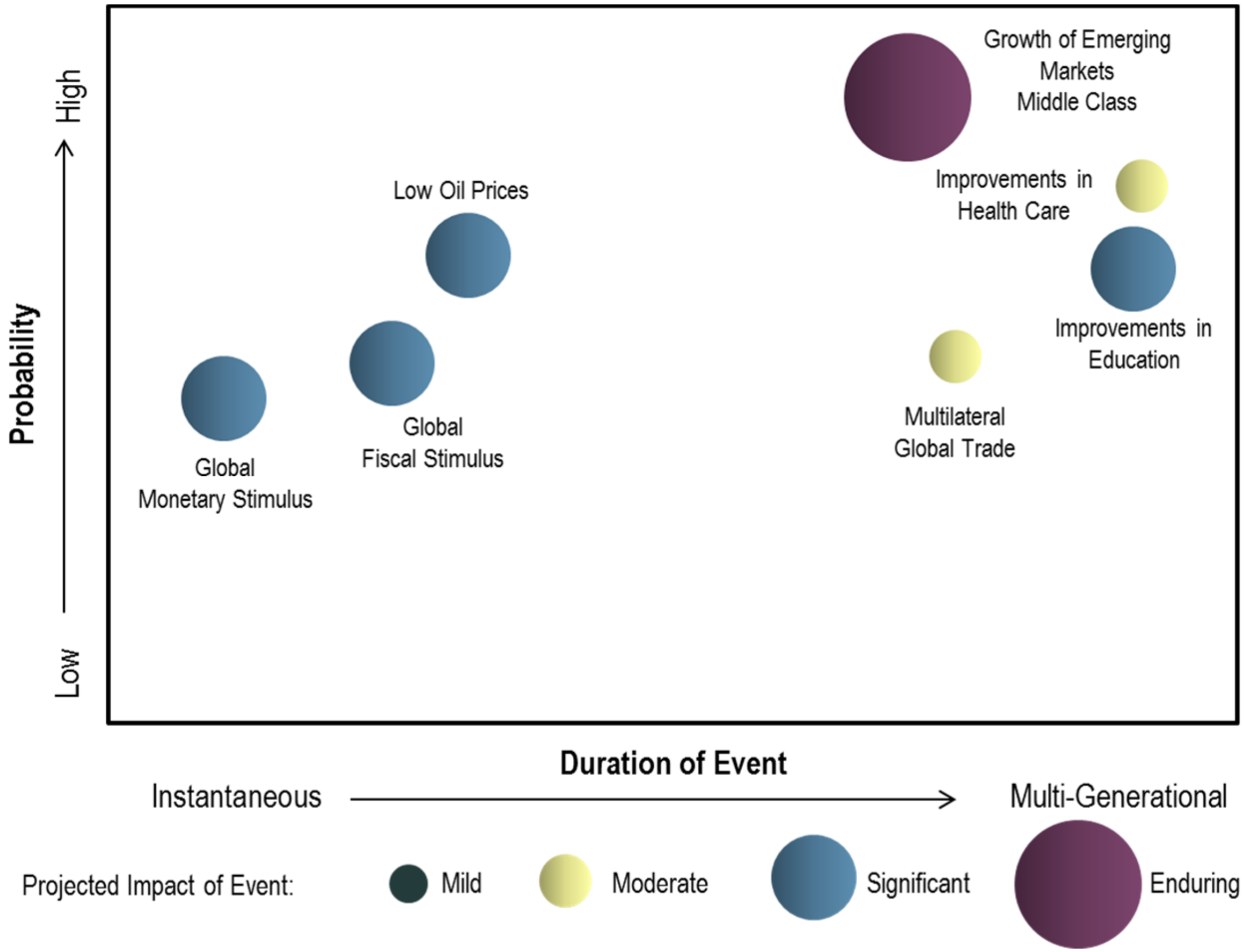
Macroeconomic Risk Overviews

Low Oil Prices	Although oil prices recently increased, they remain historically low. An extended period of low oil prices will hurt countries such as Iran, Russia, and Venezuela that depend heavily on oil export revenues. Low prices will continue to hurt oil exploration and production (E&P) companies, and companies that support the oil industry. Recently, the stress of low oil prices particularly affected E&P companies, with bond defaults ticking up. The risk of increased geopolitical tensions also exists with depressed oil prices.
European Imbalances	The crisis is rooted in structural issues in the Eurozone related to the combination of a single currency combined with 17 fiscal authorities. In the broader European Union, tensions exist, as highlighted in the recent U.K. referendum, related to policies on immigration, laws, and budgetary contributions. Additional countries leaving either group, particularly the Eurozone, could set a dangerous precedent, especially if they ultimately experience growth. The massive influx of refugees into Europe from the Middle East and North Africa exacerbates economic stress.
Potential Failure of Abenomics	Japan is engaged in a historic stimulus program, referred to as “Abenomics” to fight its decades of deflation. The plan includes monetary, fiscal, and structural components. If Japan overshoots with its policies, or dramatically changes them unexpectedly, it could prove disruptive to markets and growth.
Europe/Japan Aging Demographics	In Japan and Europe, birth rates have declined for decades, resulting in populations becoming older and smaller relative to the rest of the world. These demographic trends will have a negative long-term impact on GDP growth and fiscal budgets, amplifying debt problems.
Major Geopolitical Conflicts	Terror attacks in Berlin and Florida highlight the continued threat of terrorism. Within Europe, this complicates the refugee crisis, as countries try to balance maintaining open borders with preventing terrorists from entering their countries. Other unresolved geopolitical issues remain, including efforts to retake Mosul in Iraq from ISIS, the civil war in Syria, and North Korea’s nuclear aspirations.

Macroeconomic Risk Overviews, Continued

China Fiscal and Monetary Policy Uncertainty	The process of transitioning from a growth model based on fixed asset investment by the government, to a model of consumption-based growth will be difficult. Similar policies as China's decision to unexpectedly devalue their currency or to support stock prices could prove disruptive and decrease confidence in China's government. Capital outflows remain a key issue in China. They have made some efforts to tighten regulations to stem outflows, but higher rates and growth in the U.S. could add outflow pressures. China's abandonment of its support of the yuan, and a resulting major devaluation of the currency, could prove particularly disruptive to global markets and trade. The hot property market and the growing mountain of debt in the corporate sector remain other key risks.
Normalization of U.S. Interest Rates	After the Global Financial Crisis, the U.S. injected massive amounts of liquidity into the financial system in an effort to prevent depression-like declines in economic activity. Additionally, the central bank reduced short-term interest rates to record lows. Post-election expectations have increased for the pace of tightening by the Fed due to pro-growth policies of the new administration. Further tightening could weigh on growth globally, particularly in emerging economies, and soften the impact of fiscal stimulus.
Resource Scarcity	The growing world population, urbanization, and a growing middle class, particularly in emerging economies, could all lead to a scarcity of resources, including food, water, land, energy, and minerals. As demand continues to grow and supply declines, certain commodity prices may skyrocket, hurting the living standards of many and increasing the risk of geopolitical conflicts.
Rising Populist and Antitrade Sentiment	The recent votes in the U.S. (presidential election) and U.K. ("Brexit") highlight the growing populist/antitrade sentiment. Stagnant wages, growing inequality, and the perception of jobs being lost abroad are key contributors. Reducing trade and imposing tariffs would likely lead to inflation, reduced efficiencies, and heightened tensions between countries.

Positive Macroeconomic Trends Matrix



Positive Macroeconomic Trends Overviews

Low Oil Prices	Although oil prices have recently increased, they remain low historically. Low oil prices will likely have a positive impact on global growth, particularly for energy importers like China, Japan, and India. Consumers should benefit from falling oil prices, in the form of lower prices for gasoline and heating oil.
Growth of Emerging Markets Middle Class	In emerging economies, the size of the middle class is projected to grow significantly over the next twenty years. This growing middle class should increase consumption globally, which in turn will drive GDP growth and create jobs.
Multilateral Global Trade	Increased trade and investment, and access to foreign capital and export markets for corporations, should lead to greater global growth. The recent U.S. presidential election and the U.K.'s vote to leave the European Union illustrate growing anti-trade sentiment, which could create a headwind to trade going forward.
Improvements in Education/Healthcare	Literacy rates and average life spans have increased globally, particularly in emerging economies. Higher literacy rates will drive future growth, helping people learn new skills and improve existing skills. When people live longer, it increases incentives for long-term investments in education and training, resulting in a more productive work force and ultimately more growth.
Global Monetary Stimulus	Developed market central banks embarked on a massive monetary stimulus campaign in the aftermath of the Global Financial Crisis. The U.S., European, and Japanese central banks continue to maintain interest rates at record lows. Japan and Europe continue asset purchase programs, while the U.S. ended its program and has since increased interest rates twice. Additionally, many emerging market central banks have reduced interest rates to stimulate growth. Given slow growth and low prices globally it is likely central banks will continue to maintain loose monetary policy. If central banks continue to provide liquidity and keep interest rates low, this should stimulate growth.
Global Fiscal Stimulus	Given the slow growth globally, and the limited room for additional monetary stimulus, there could be a shift to fiscal stimulus. With interest rates still low, borrowing for infrastructure investments is affordable. If productive investment options are not available, reducing taxes is an option. Increased fiscal stimulus could help growth while reducing the reliance on monetary policy. The new U.S. administration's proposed policies on cutting taxes and increasing spending on infrastructure could have a major impact.

Key Elections in 2016/2017

Date	Country	Type
June 2016	United Kingdom	E.U. Referendum
November 2016	United States	Presidential
December 2016	Italy	Constitutional Referendum
March 2017	Netherlands	Parliamentary
April 2017	France	Presidential
June 2017	France	Parliamentary
September 2017	Germany	Parliamentary
TBD 2017/2018	Italy	Parliamentary

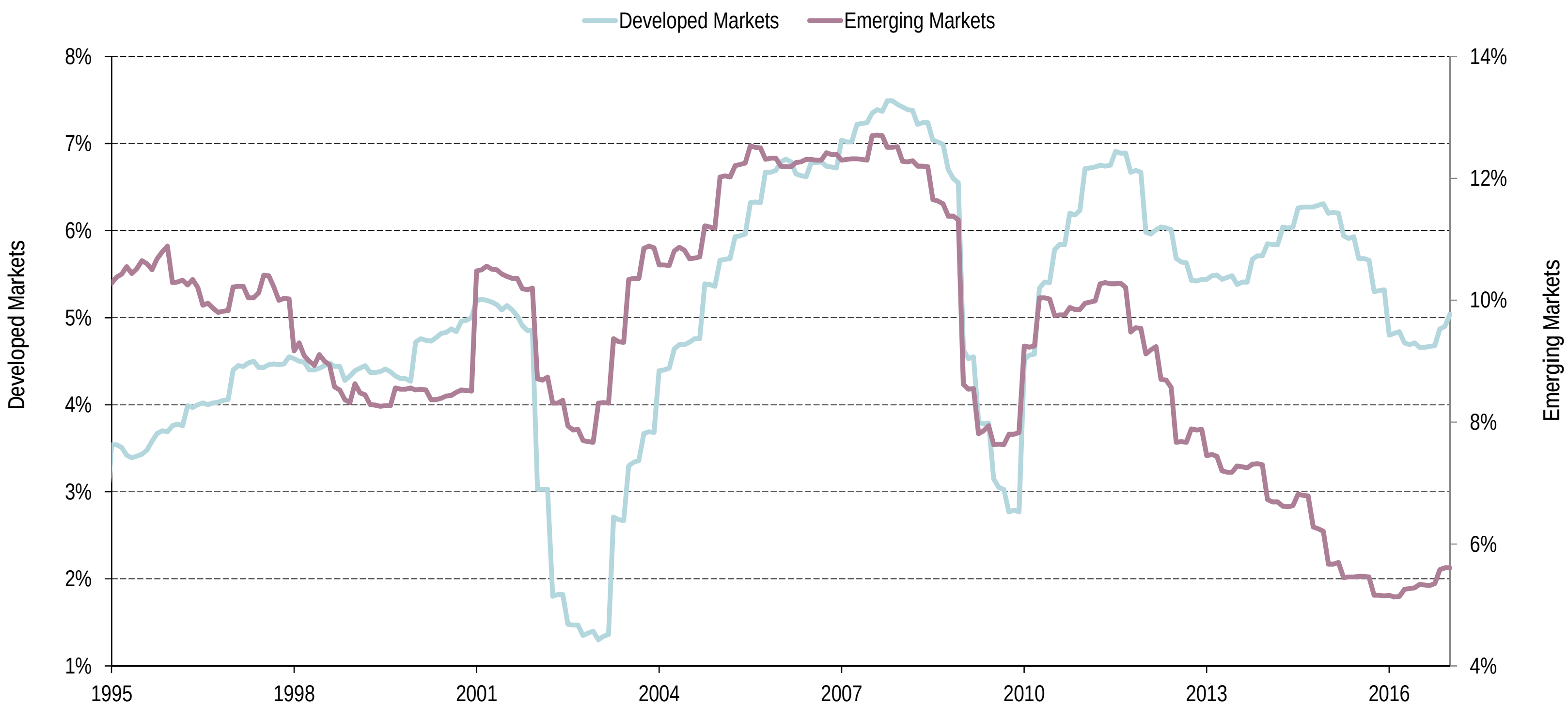
- Recent votes in the U.S. and U.K. demonstrate growing frustrations with government officials, the widening gap between the rich and the poor, and the perception that jobs are being lost abroad.
- In 2017, several key elections loom on the horizon in Europe, with the potential for more populist candidates to be elected.

Global Nominal Gross Domestic Product (GDP) Growth[1]

- Global growth prior to the Global Financial Crisis, and in the period immediately following it, was much higher than current levels.
- Growth is forecasted to increase slightly in the coming years, but remain below long-term averages due to varied headwinds.

1 Source: Oxford Economics. Updated October 2016. GDP data after 2015 are estimates.

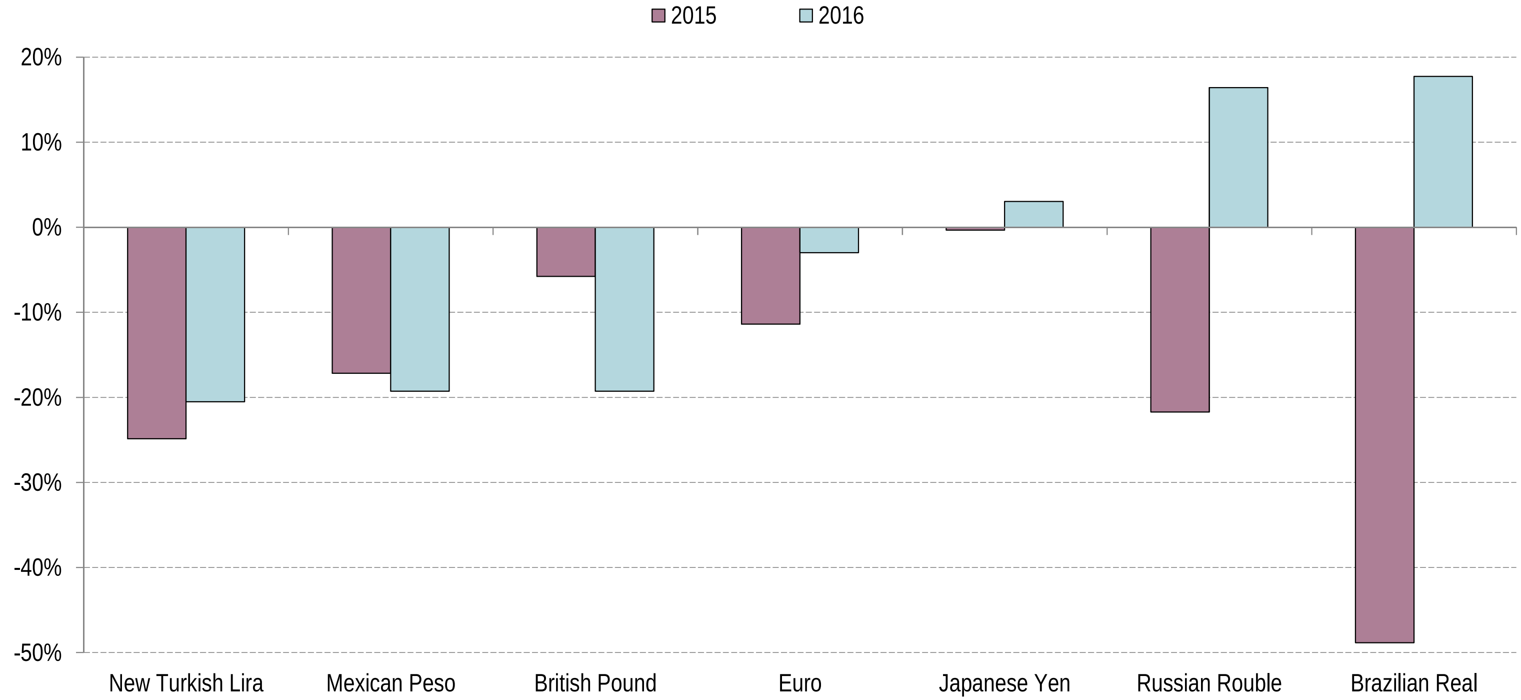
Net Corporate Profits[1]



- Corporate profits rose from their lows in 2009 largely driven by cost cutting, but recently started to decline.
- Looking forward, margins could feel further pressure if costs continue to rise at a faster pace than revenues, and wages keep increasing. This could result in less investment by companies, ultimately leading to lower employment, wages, and overall economic growth.

[1] Source: Thomson Reuters. Represents net profit margins of non-financial companies. Dual axes are used for trend comparison purposes.

Major Currency Values versus the U.S. Dollar[1]



- After its initial decline in early 2016, the U.S. dollar finished the year overall stronger as investors focused on planned pro-growth policies in the U.S. and anticipated higher interest rates.
- Results were varied across currencies with the Mexican peso, Turkish lira, and British pound posting dramatic declines. Proposed antitrade policies of the new U.S. administration particularly hurt the peso, while fears of a so-called "hard exit" from the European Union hurt the pound and political uncertainties weighed on the lira.

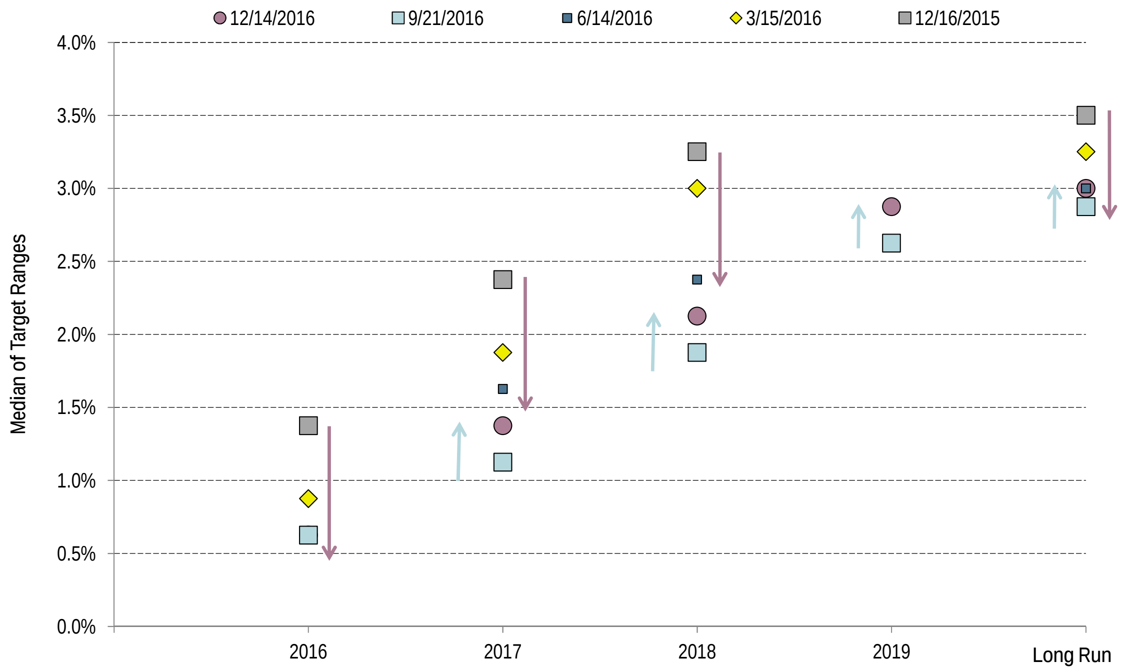
1 Source: Thomson Reuters. Data is as of December 31, 2016.

Proposed Policies of the New U.S. Administration

Growth Positive	Growth Negative
Lower Taxes	Policy Uncertainty
Infrastructure Spending	Protectionist Trade
Deregulation	Restrictive Immigration

- During campaigning, Donald Trump proposed a variety of policies with varied potential impacts on economic growth.
- Since the election, investors have focused on the pro-growth policies including lower taxes, more infrastructure spending, and less regulation and focused less on policies that could potentially hurt growth like a protectionist trade stance and tougher immigration policies. This has led to a stronger U.S. dollar and higher inflation expectations.
- This environment has generally benefited U.S. stocks, while hurting U.S. bonds and foreign assets.
- Looking ahead, the distinction between campaign rhetoric and policy will be a key consideration. Timing is also important, as the impact of fiscal policy will likely not be felt until 2018, or later, with the Fed needing to make policy decisions in the interim.

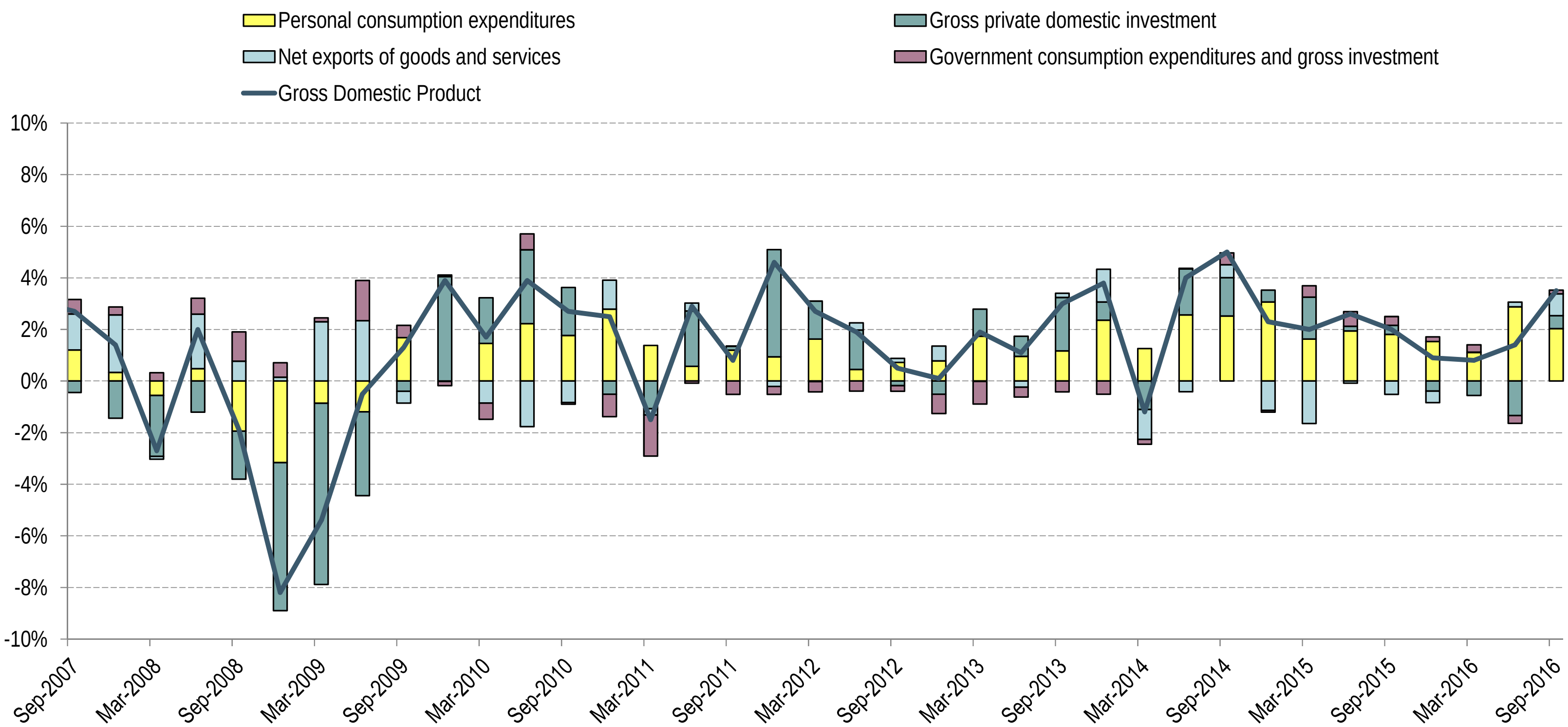
U.S. Monetary Policy[1]



- As largely expected, the U.S. Federal Reserve increased short-term interest rates by 0.25% in December to 0.75%. This represented the only increase in 2016 and the second increase since the record low levels of 0.25%.
- Prior to the U.S. election, inflationary pressures were mounting and unemployment was half the level of its peak.
- After the election, proposed pro-growth policies increased expectations for growth and inflation and led to the Fed raising their expectations of rate increases going forward.

[1] Source: Federal Reserve. Represents the median FOMC estimate of the fed funds rate.

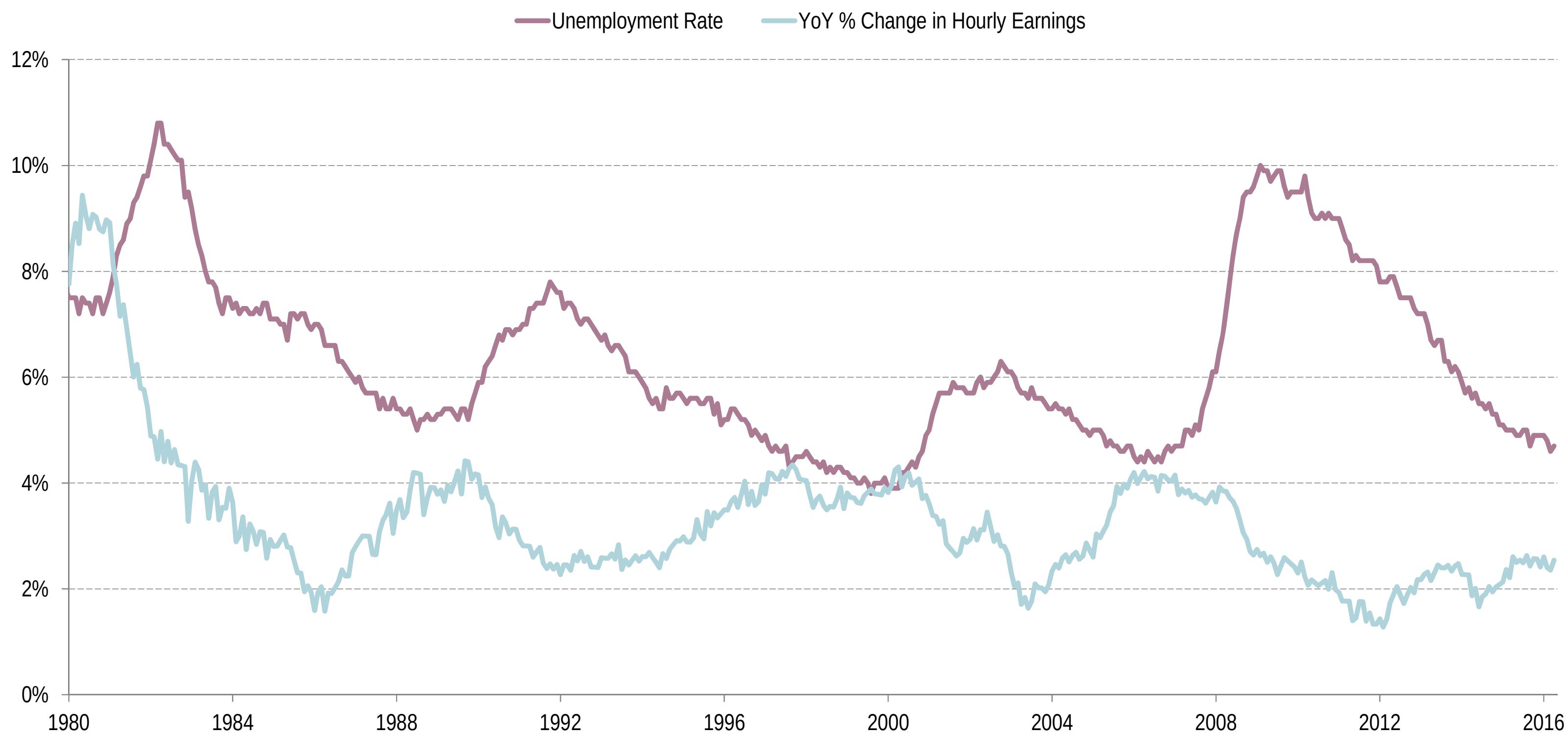
U.S. Real Gross Domestic Product (GDP) Growth[1]



- In the third quarter of 2016, U.S. GDP grew at an annualized rate of 3.5% according to the third estimate, 0.6% higher than the first estimate of 2.9%. Over the trailing year, GDP grew by 1.7%.
- A decline in consumer spending was offset by increases in inventory investment and exports.

[1] Source: U.S. Bureau of Economic Analysis. Data is as of the third quarter of 2016 and represents the third estimate.

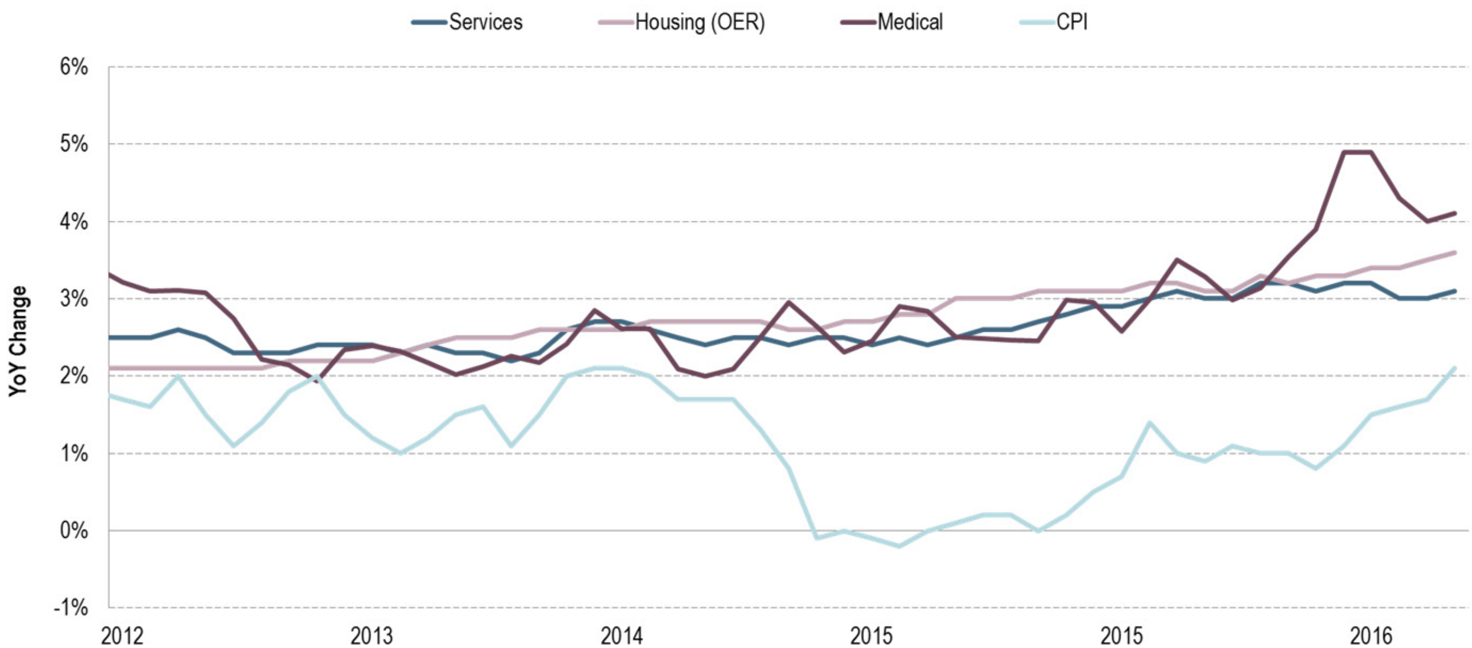
U.S. Employment & Wages[1]



- Unemployment finished 2016 at 4.7%, a dramatic decline from the 2009 peak.
- Wages have begun to rise, albeit less so than in prior recoveries.
- Higher wages could lead to inflationary pressures and weigh on corporate profits.

1 Source: Bureau of Labor Statistics. Data is as of December 31, 2016.

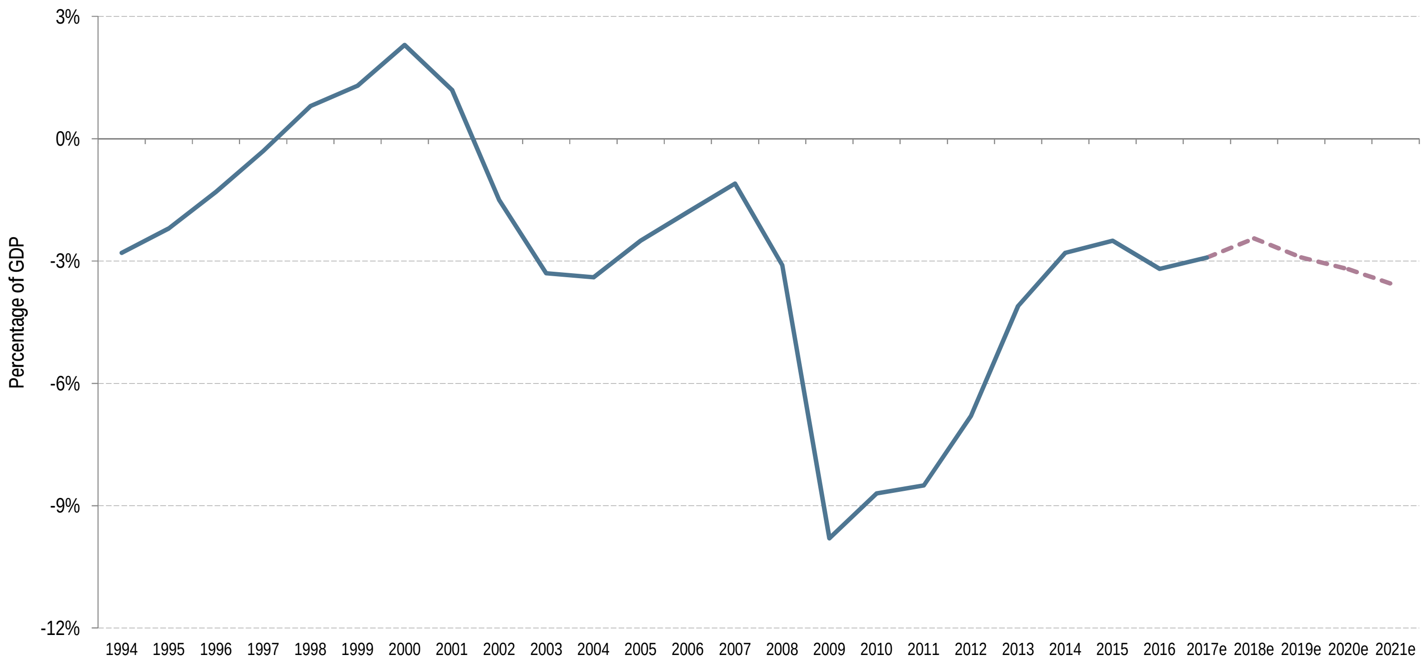
U.S. Inflation Components[1]



- From the lows of 2015, inflation in the U.S. increased recently, but remains under the historical average.
- Many components of inflation are tracking above 3% including medical (4.1%), housing (3.6%), and services (3.1%).
- As the impact of oil's decline falls out of the inflation calculation and the recent rise is captured, there will be further inflationary pressure.

[1] Source: Bloomberg: Bureau of Labor Statistics. Data is as of December 31, 2016.

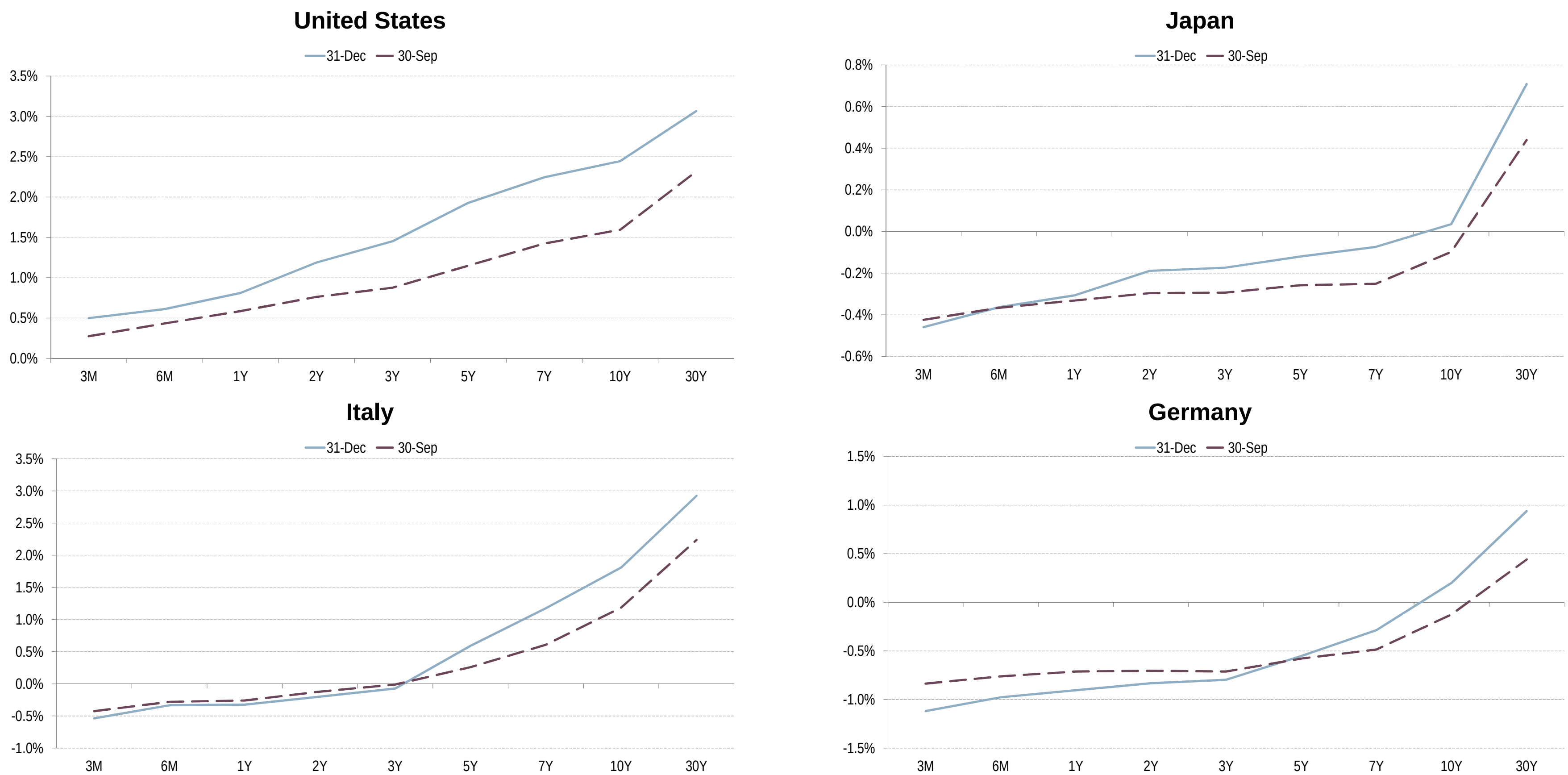
U.S. Budget Deficit as a Percentage of GDP[1]



- From the lows of 2009, driven by the large Global Financial Crisis stimulus, the deficit improved as the economy strengthened, stimulus was removed, and taxes were increased for the wealthy.
- In the coming years, projections are for a higher deficit driven by spending on social programs (Social Security and Medicare) and higher debt interest payments.
- Policies proposed by the new U.S. administration of lowering taxes and increasing spending on infrastructure could put further strains on the U.S. budget deficit and debt load.

[1] Source: Congressional Budget Office (CBO). Dashed line represents CBO's projections.

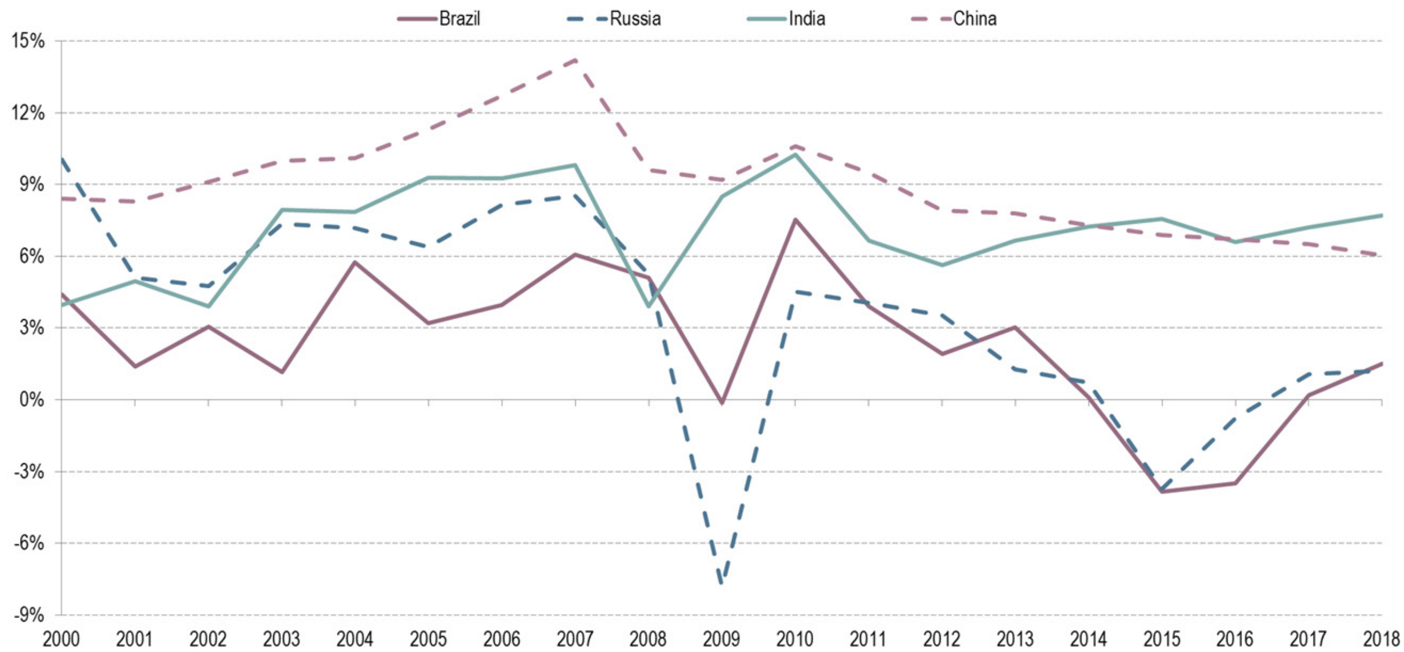
Government Bond Yield Curves[1]



- After the U.S. election, rates rose across the yield curve as inflation and growth expectations increased. The U.S. ten-year Treasury yield rose from 1.6% to 2.4% during the quarter.
- Elsewhere, the Italian referendum contributed to an increase in yields on longer dated bonds, while in Japan, policies targeting the ten-year yield at 0% showed results.

1 Source: Bloomberg. Data is as of December 31, 2016.

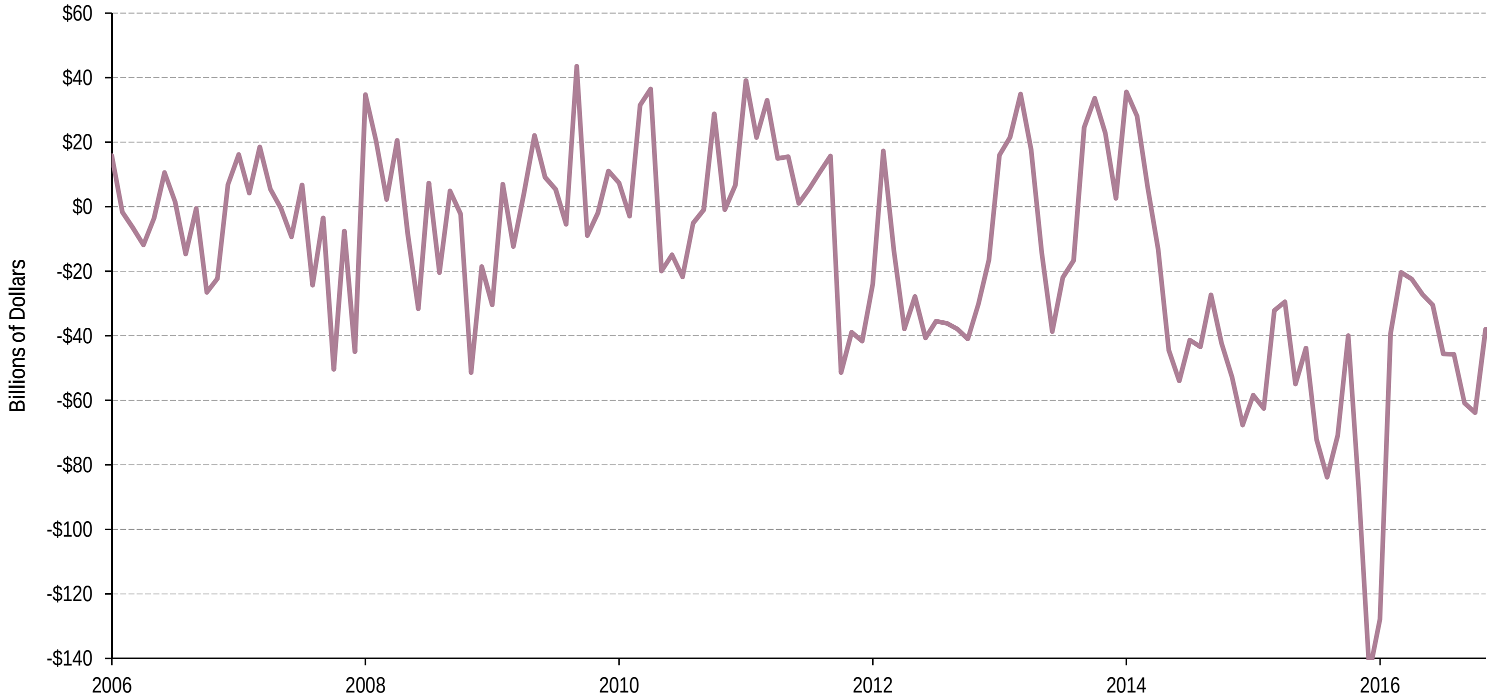
Emerging Market GDP[1]



- Growth in emerging economies remains uneven and has trended downward since 2010.
- Russia and Brazil are projected to emerge from recession in 2017, while China's economy is forecasted to continue to slow. India remains a bright spot with stable growth forecasted at a level above China.
- Going forward, if the U.S. dollar remains strong, countries with large dollar denominated debt could face headwinds, along with countries hurt by possible U.S. protectionist trade policies.

[1] Source: IMF. World Economic Outlook. October 2016 edition and January 2017 update. GDP data estimates start after 2015.

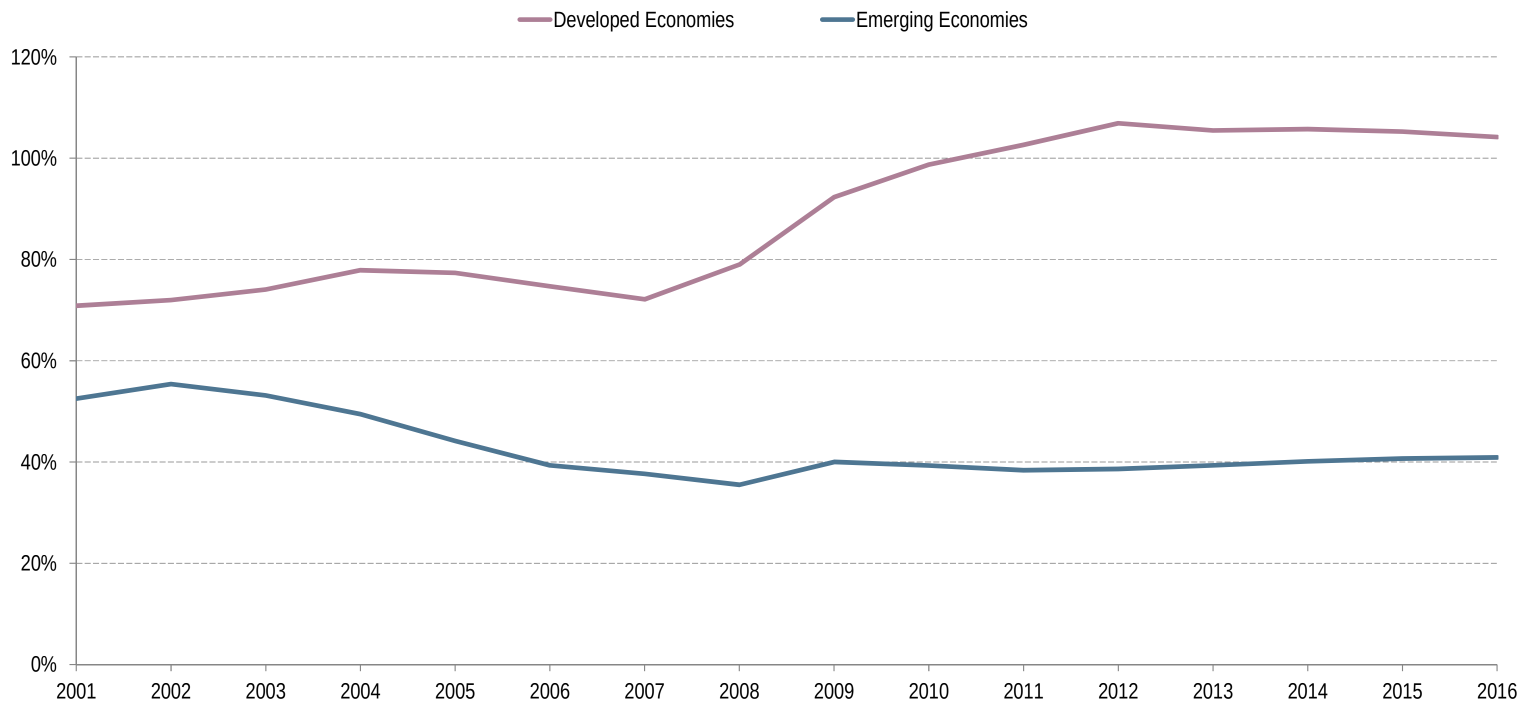
China: Net FX Capital Flow[1]



- As growth in China continues to slow and rates in the U.S. are expected to increase, China has experienced capital outflows.
- These outflows have led to downward pressure on the currency and a negative feedback loop as investors anticipate further declines.
- China has used some of its currency reserves to support the yuan, but cannot do this indefinitely. They recently tightened regulations on outward flows in an effort to support the currency.

1 Source: Oxford Economics/Haver Analytics.

Government Debt as a % of GDP[1]



- Emerging market equities have lagged U.S. equities over the past several years. Prior to the U.S. election, emerging market equities were staging a recovery and were well ahead of U.S. equities for the year. Post-election the trend reversed due to U.S. dollar strength and protectionist fears.
- The long-term growth thesis remains in place for emerging markets. Lower debt levels, improving demographics, and opportunities for improving productivity should help bolster emerging economies' growth.

[1] Source: IMF, World Economic Outlook, October 2016. GDP data estimates start after 2015.

Summary

Five primary concerns face the global economy: 1) increased populist and antitrade sentiment globally; 2) uncertainty related to the U.S. economy and policies; 3) declining growth in China, along with uncertain fiscal and monetary policies; 4) continued economic sluggishness in Europe, and risks related to the U.K.'s exit from the European Union; and 5) divergent growth in emerging economies.

- Recent elections in the U.S. and U.K. illustrated the growing populist sentiment globally driven in part by job losses and stagnant wages. There are several other key elections in the short-term, including in France and Germany. Economic growth would be hurt by antitrade policies and likely lead to volatility in financial markets, lower business investment, and inflation.
- The U.S. has experienced largely stable growth since the end of the financial crisis, but at levels below prior recoveries. Inflationary pressures have started to mount and employment has recovered. The Federal Reserve has already started tightening monetary policy, while the impact of proposed fiscal policies will likely not have an impact until 2018. The interplay of the two will be a key issue going forward. Continued strength in the dollar could weigh on multinational companies, exports, and foreign dollar debts.
- Given China's size and contribution to global growth, a slowing of its economy could have a meaningful impact, particularly on countries that depend on its trade. The growing debt, particularly in the corporate sector, remains a key concern. Another devaluation of the yuan could prove disruptive to capital markets, weigh on domestic demand, and hurt countries with competing exports.
- The decision of the U.K. to leave the EU further weighs on the fragile recovery in Europe. The U.K.'s negotiation of trade deals will be a key issue with a wide range of potential outcomes. Uncertainty related to the outcome of negotiations should weigh on foreign investment and consumption. Any additional moves to leave the EU, or the Eurozone, could be disruptive to markets and growth.
- Growth in emerging market economies will likely remain uneven, with some economies particularly feeling the impact of continued dollar strength and potential U.S. protectionist policies. Higher rates and renewed economic strength in the U.S. due to new policies could also attract capital away from emerging markets.

Disclaimer, Glossary, and Notes

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In general, the valuation numbers presented in this report are prepared by the custodian bank for listed securities, and by the fund manager or appropriate General Partner in the case of unlisted securities. The data used in the market comparison sections of this report are sourced from various databases. These data are continuously updated and are subject to change.

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In some cases Meketa Investment Group assists the Trustees in handling capital calls or asset transfers among investment managers. In these cases we do not make any representations as to the managers’ use of the funds, but do confirm that the capital called or transferred is within the amounts authorized by the Trustees.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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