



Review of Managed Accounts Hillswick and Reams Asset Management

October 9, 2017

MEKETA INVESTMENT GROUP

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Background

- Meketa Investment Group has served as an independent investment fiduciary since 1978.
- Full service investment consulting and advisory firm for over \$500 billion in assets.
- 100% independently owned by investment professionals in the firm
- Derive no revenue from investment managers, commissions, or outside vendors.
- Significant assets in California public funds, with offices in San Diego, Boston, Chicago, Miami, Portland, and London.

General Consulting Services

- Initial Fund Review
- Investment Policy Design
- Asset Allocation
- Liability & Liquidity Studies
- Manager Evaluation & Selection
- Fund Coordination
- Fund Reporting & Analysis
- Client Education

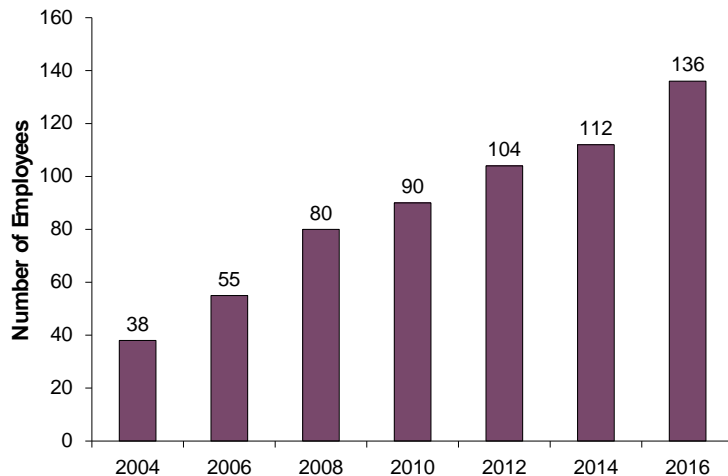
Private Markets Advisory Services

- Strategic Planning
- Pacing Analysis
- Partnership Analysis
- Legal Review
- Cash Flow Coordination
- Program Monitoring & Review
- Client Education

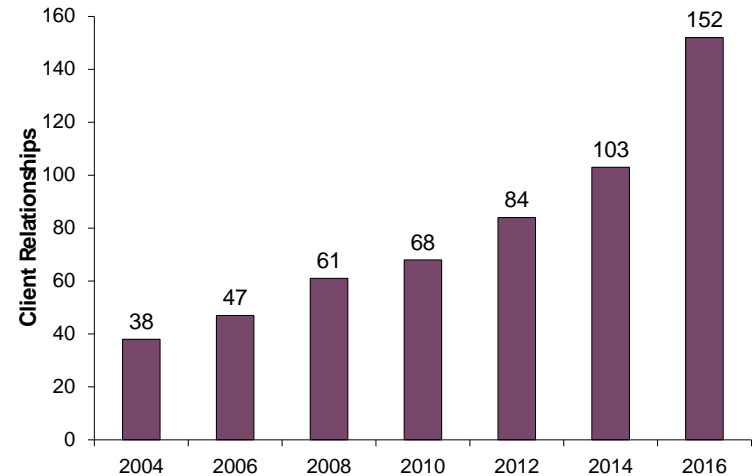
Deep & Growing Team

- Staff of 138, including 91 investment professionals.
- 40 consultants with an average of 9 years with the firm and 21 years in the industry.
- Experienced staff, including: 28 CFAs, 18 CAIAs, 1 FSA, 35 Masters, 1 PhD, and 2 JDs.
- We maintain a low client to employee ratio, resulting in high client retention.

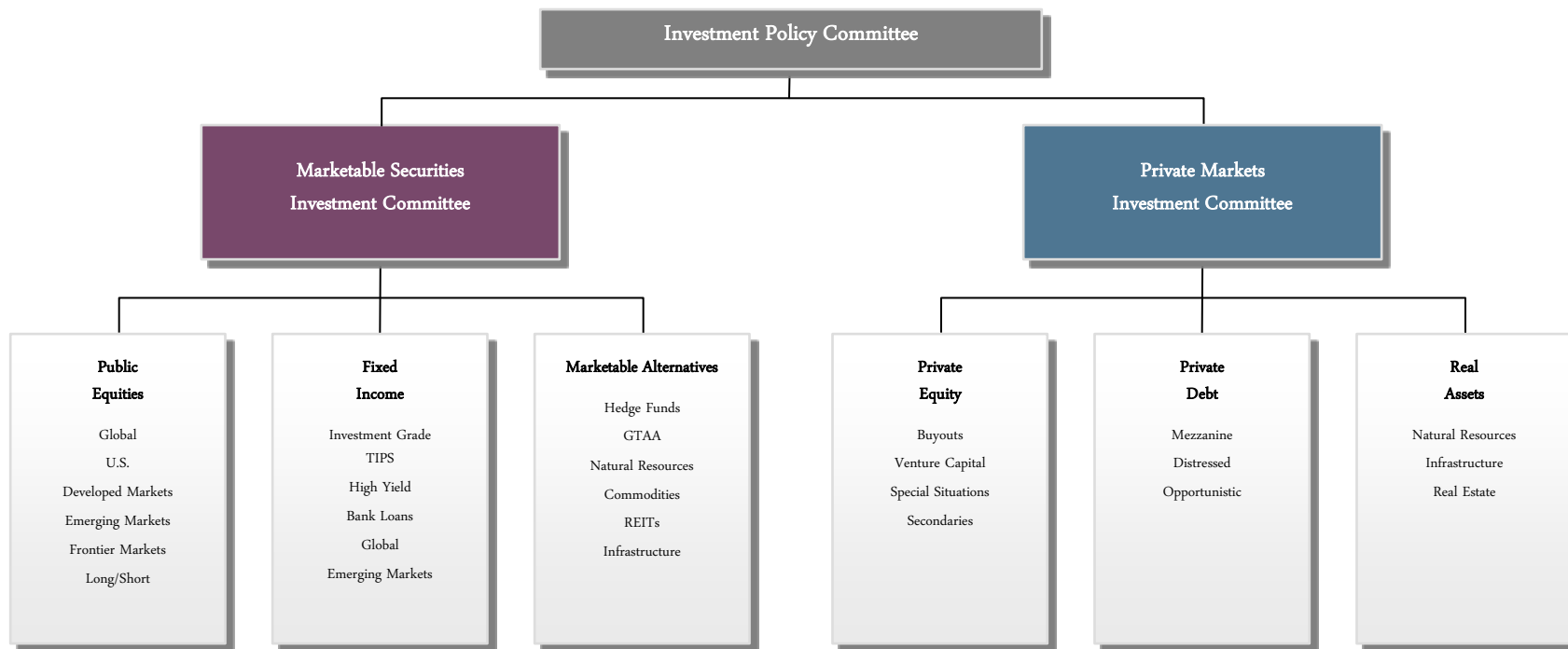
Employee Growth



Client Growth



Broad Manager Research Coverage



Investment Committee Structure

- Maintain dedicated resources across all public & private markets asset classes.
- Due diligence teams report to the firm’s Marketable Securities and Private Markets Committees.
- Investment Committee structure draws on the expertise of the firm’s senior professionals.

	Hillswick	Reams
Location	Stamford, Connecticut	Columbus, Indiana
Firm / Account Inception	1987 / 2002	1981 / 2002
Ownership Structure	Former Swedish Bank Sub Independent since 2004	Acquired by Raymond James in 2017
Assets – Firm / Account	\$1.1B / \$170M	\$23B / \$177M
CIO, Year at Firm	Anders Ekernas, 1987	Mark Egan, 1990
Style / Strategy	<ul style="list-style-type: none"> • Top-down primary driver for security selection • Duration management primary value add • Significant allocation to government securities • 70% of excess return from duration and 30% from sector • Duration limited ± 1.5 yrs 	<ul style="list-style-type: none"> • Bottom-up security selection, with top-down sector & duration mgmt • Security/sector primary source of value add • Security selection based on total return analysis • 60% of excess return from sector/security and 40% from duration • Duration limited ± 0.5 yrs

Net Performance versus Risk

	YTD	2016	2015	2014	2013	2012
Hillswick	1.2%	3.0%	2.2%	1.4%	-0.5%	5.2%
Reams	1.5%	2.3%	1.4%	2.2%	1.1%	3.3%
Hills+Reams	1.4%	2.7%	1.8%	1.8%	0.3%	4.2%
ML Index	1.3%	2.6%	1.4%	1.6%	0.3%	2.4%

	From Incep	Std Dev	Alpha	Beta	Up Mkts	Down Mkts	Bat Avg
Hillswick	3.4%	2.7%	0.10%	1.11	109%	101%	540
Reams	3.4%	2.5%	0.98%	0.86	100%	60%	560
ML Index	3.0%	2.6%	0.0%	1.00	100%	100%	0

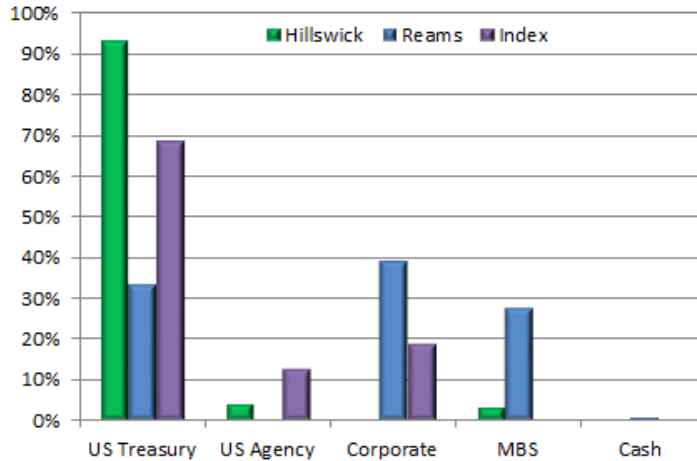
High quality intermediate fixed income

- Characteristics and management consistent with District policy
- Effective diversification (low correlation) across managers.

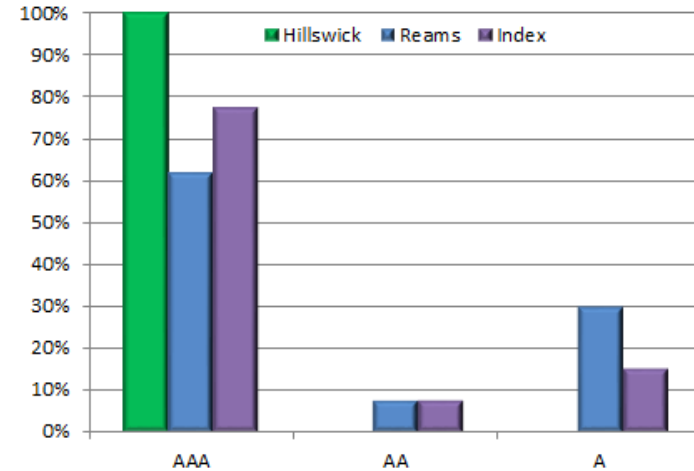
	Maturity (years)	Duration (years)	YTM	Coupon	Securities Held
Hillswick	3.2	2.8	1.6%	2.3%	23
Reams	2.7	2.6	1.9%	2.2%	80
ML Index	2.8	2.7	1.7%	2.2%	2,447

ML Benchmark Index = BofAML US Corp & Govt 1-5Y A-AAA (BV10)

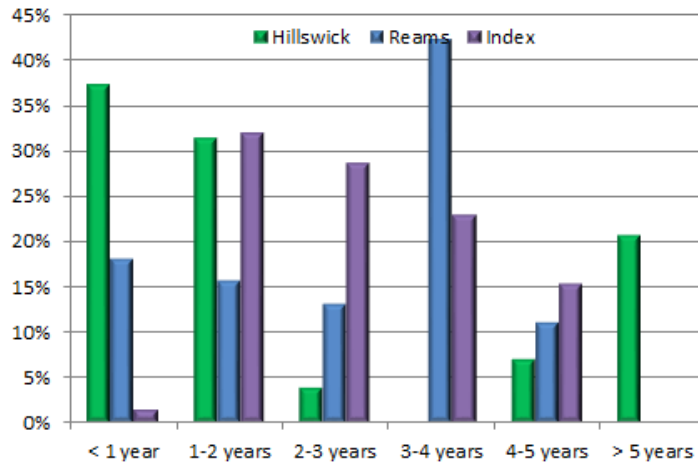
Sector Allocation



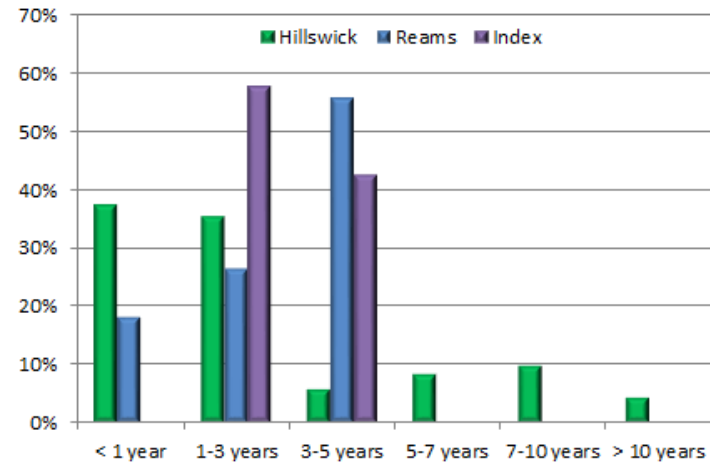
Quality Allocation



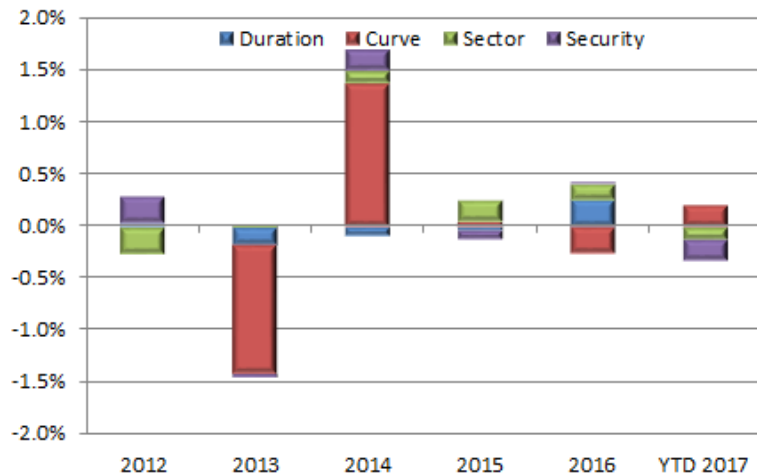
Duration Distribution



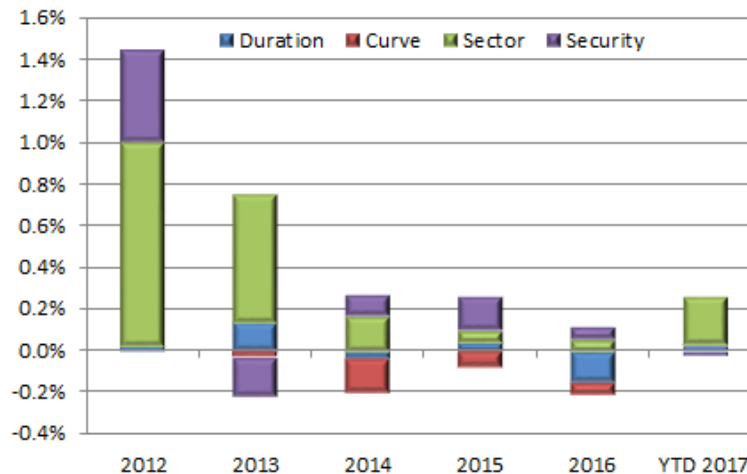
Maturity Distribution



Hillswick Performance



Reams Performance

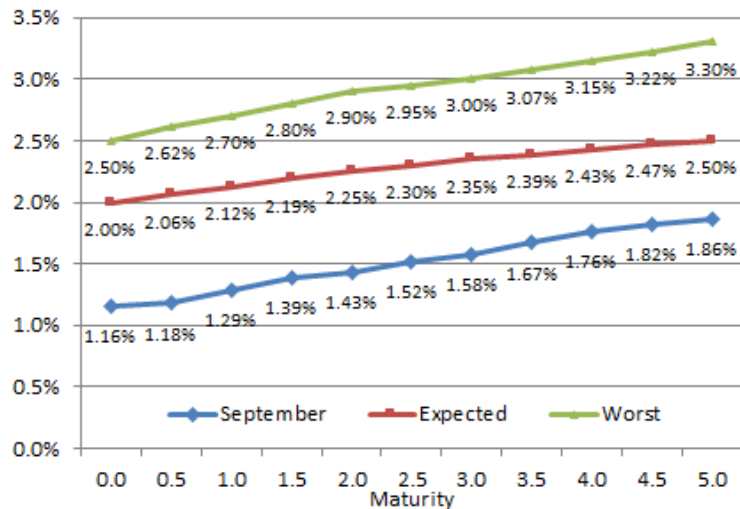


Manager performance is explained by:

- Duration (sensitivity to changes in interest rates)
- Yield curve management (allocation to various maturities)
- Sector allocations (allocation to US government, corporates, and mortgages)
- Security selection (specific bonds bought and sold)

	Hillswick	Reams
Strengths	<ul style="list-style-type: none"> • Conservative philosophy and effective macroeconomic (top-down) approach • Well suited for portfolios dominated by government FI 	<ul style="list-style-type: none"> • Well-developed credit and mortgage teams with a strong history of good bond selection • Effective use of top-down duration and sector management
Weaknesses	<ul style="list-style-type: none"> • Excess returns come with higher volatility, resulting in lower alpha • High barriers to credit risk 	<ul style="list-style-type: none"> • Willingness to take positions that are contrary to market consensus, but impact limited by policy constraints
Opportunities	<ul style="list-style-type: none"> • Can react quickly and defensively to higher int rates • Willingness to deviate from the benchmark 	<ul style="list-style-type: none"> • Strong value-added from credit sector • Opportunistic approach to trends in the bond market
Threats	<ul style="list-style-type: none"> • Top-down decision (right or wrong) will have an impact • More susceptible to a sharp reversal in interest rates 	<ul style="list-style-type: none"> • Reversal in credit spreads • Strategy bias to higher interest rates

Benchmark Sensitivity to an Increase in Interest Rates



ML Index	12 mos.	24 mos.
Expected Return	0.4%	1.2%
Worst Case Return	-1.6%	0.7%
Historical Worst	-0.6%	1.2%



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