

PARS: County of Contra Costa

Fourth Quarter 2016

REVISED

**Presented by
Andrew Brown, CFA**

This presentation has been prepared for the sole use of the intended recipient. While the information contained herein has been obtained from sources believed to be accurate and reliable, any other reproduction or use of this information may necessitate further disclosures in order to ensure that the presentation is accurate, balanced, and conforms to all applicable regulatory requirements.

DISCUSSION HIGHLIGHTS

U.S. Economic and Market Overview

Going into 2016, if someone would have said that this would be the year the United Kingdom would succeed from the European Union and Donald Trump would be elected President, most people would have laughed. A logical investor would suggest shorting the market if this prediction had merit, as those two events would have enough disruptive influence to tip the wobbly global economy into another recession, or at least a major correction. Those two market moving events did occur during the past year but the market reaction was very different than most experts forecasted. While the “Brexit” vote led to a sharp market pull back, it took only two weeks for the market to regain the lost ground and continue an upward trajectory. A few months later, Donald Trump was elected President of the United States and markets rallied to finish the year up +12%. Stocks rallied and bonds sold off on renewed expectations that economic growth would finally return to the historically higher levels of the pre-2008 crisis world. While the global economy seems to be coping well with the surprise events of 2016, populism and government debt are on the rise around the world and economic growth is still just a shadow of where it once was before the 2008 financial crisis. As 2016 closed with more questions than answers, will 2017 be able to continue the string of historically high equity market returns, or will the growing global imbalances finally topple the raging bull that has been running through markets since 2008?

In addition to the sweeping change brought by the dramatic political environment, on December 14th the Federal Open Market Committee (FOMC) of the Federal Reserve raised short-term interest rates for the second time in over a decade. Twelve months prior, the Fed made its first upward move and promptly hit the brakes on its expected trajectory for tightening when global equity markets began to stumble in early 2016. At the heart of the volatility was the Chinese economy. Fears of currency devaluation and capital flight leading to a Chinese hard landing, sent markets lower. The implementation of additional fiscal spending and other Chinese policy measures served to extinguish growing worries that China’s high growth rate would disappear. China’s stopgap measures may only be bandages to cover worsening economic imbalances that have built up following years of central planning. A look at the rise of Chinese total debt-to-GDP since 2008 raises questions about the limitations of perpetually attempting, through increasing debt issuance, to avoid the natural cyclical and structural forces of an economy. The health of the Chinese economy is a key risk to financial markets that deserves close attention in 2017 and beyond.

Market Overview/Performance Discussion

Total Plan

The County of Contra Costa OPEB Plan returned -0.15% net of investment fees, in the fourth quarter, which lagged the County's Plan benchmark target of 0.39%. Positive contributors to the Plan were the fixed income portfolio and the large cap equity segment. Large cap performance contribution came mainly from our overweight to our value-oriented managers, led by the Dodge and Cox Stock Fund, who had a stellar fourth quarter. Large cap value outperformed large cap growth by roughly 5% in the quarter. The fixed income segment also aided returns with three of the Plan's four managers outperforming the Bloomberg Barclays Capital Aggregate Index. Three areas that detracted in the quarter were small cap equity, international equity, and the alternative asset segment. Both managers in the small cap equity segment, posted returns in the bottom quartile of their respective peer universes. This was especially frustrating as small cap equity was the strongest performing asset class in the quarter, with the Russell 2000 Index gaining 8.8%. The Plan's international equity segment lagged due mainly to our underlying manager's exposure to emerging market equities. Emerging market equities sold off in the quarter due in part to a sharp increase in the dollar, ensuing after the Donald Trump election victory. Emerging markets were the largest asset class detractor in the quarter, off -4.2%. The negative contribution from the alternative asset managers was due entirely to one manager: the AQR Market Neutral Fund (-8%).

Domestic Equity

2016 was notable for the surprise surge in populist movements in Europe (Brexit) and the U.S. (Trump Election). The most surprising aftershock of the victories was the positive reaction of equity markets. While stocks were expected to plunge in reaction to these events, they rallied in the days and weeks after, once again showing the resilience of the current equity bull market. Since 2008 the market has grown at an annualized rate of over 14.6%. Either we are in a "new normal" environment of continual double digit equity returns or we are in for less optimistic stock performance to bring the average U.S. equity market return back in line with realistic expectations. The future path of the stock market is difficult to predict in the short-run, though some of President Trump's policy proposals, including deregulation, corporate tax reform, and tax repatriation may provide a wave of optimism for certain sectors through 2017.

The Russell 1000 Index ended the final quarter of 2016 up +3.8%. While there was mixed performance across the market, there was one sector that clearly stood out; Financials. Financials have been a laggard most of 2016, and since the 2008 financial crises. Off the tailwind of expected deregulation, in addition to higher interest rates, financial stocks returned an impressive +21.1% for the quarter. Other parts of the market were more mixed, with sectors expected to benefit from Trump policies leading the way. Energy and industrials both returned north of +7% for the quarter, while telecommunication and materials returned just under +5% each. The main losers for the quarter were real estate and healthcare, each down over -4%. Healthcare ended the year as the lone sector of the market with a negative return due to an uncertain political environment surrounding the sector. The risk-on trend was further seen by the strong performance results of mid and small cap stocks. The Russell Mid-Cap Index return of +3.2% would impress most investors, but the Russell 2000 Index came in on top with an impressive 8.8% return for the quarter, leaving the full year 2016 return at over +21%.

To characterize the fourth quarter of 2016 as a risk-on environment may be an understatement. Many of the previously lagging performing parts of the market led the rally, while many of the safe haven assets that had been performing well (U.S. Treasuries & gold) sold off in magnitude not seen for some time. The market seems to be pricing in the best case scenario for the prospects of the economy under a Trump presidency. While many of his policies have potential to move markets, it will likely take time to implement anything meaningful, and expectations may be underestimating the difficulties of turning policy into economic reality, let alone a few missteps for the new administration. While confidence indicators are showing encouraging signs, sentiment can turn down just as quickly as it turned up. There are still many headwinds to the U.S. stock market, such as lofty valuations, rising interest rates, a maturing credit cycle, and policy uncertainty surrounding the new administration, not to mention the multiple global economic factors that could derail current market enthusiasm (China slowdown, commodity prices, European elections, Italian banks, “Brexit”, etc.). While the fourth quarter of 2016 was a breath of fresh air, it is important to set expectations appropriately and proceed with caution. When equity markets exude overconfidence, is when disasters find a way of appearing out of nowhere.

- **The Plan’s large cap segment returned 4.07% in the quarter, which outperformed the Russell 1000 Index return of 3.83%.**
 - The iShares Russell 1000 ETF returned 3.80% in the fourth quarter.
 - The Columbia Contrarian Core Fund returned 1.87% in the quarter, which underperformed the benchmark. The Fund ranked in the 88th percentile of the Morningstar Large Cap Blend Universe.
 - The Harbor Capital Appreciation Fund returned -1.94% in the quarter, which underperformed the Russell 1000 Growth Index’s return of 1.01%. The Fund ranked in the 76th percentile of the Morningstar Large Cap Growth Universe.
 - The T. Rowe Price Growth Stock Fund returned 0.10% in the quarter, which underperformed the Russell 1000 Growth Index. The Fund ranked in the 43rd percentile of the Morningstar Large Cap Growth Universe.
 - The Dodge and Cox Stock Fund returned 10.71% in the quarter, which outperformed the Russell 1000 Value Index’s return of 6.68%. The Fund ranked in the 4th percentile of the Morningstar Large Cap Value Universe.
 - The Loomis Sayles Value Fund posted a 6.73% return in the quarter, which was in-line with the Russell 1000 Value Index. The Fund ranked in the 45th percentile of the Morningstar Large Cap Value Universe. **This Fund was eliminated from the Plan in the last week of the quarter.**
- **The mid cap equity segment returned 3.19% in the quarter, which was in-line with the Russell Mid Cap Equity return of 3.21%.**
 - The iShares Russell Mid Cap ETF returned 3.17% in the fourth quarter.
- **The small cap equity segment returned 6.97% in the quarter, which trailed the Russell 2000 Index return of 8.83%.**
 - The iShares Russell 2000 ETF returned 8.84% in the fourth quarter.
 - The T. Rowe Price New Horizons Fund returned -0.74% in the quarter, and underperformed the Russell 2000 Growth Index return of 3.57%. The Fund ranked in the 88th percentile of Morningstar’s Small Cap Growth Universe.
 - The Undiscovered Managers Behavioral Value Fund returned 8.2% in the quarter, and underperformed the Russell 2000 Value Index’s return of 14.07%. The Fund ranked in the 93rd percentile of Morningstar’s Small Cap Value Universe.

Real Estate

REIT equity posted a second consecutive quarterly decline, with the Wilshire REIT Index returning -2.28%. REITs declined in the quarter as rising inflation expectations and an increase in bond yields outweighed the continued strength in economic conditions. Aside from Lodging and Leisure which posted a strong return of +19.3%, most REIT sectors declined modestly in the quarter. Three sectors that weighed on the REIT universe included regional malls -11.4%, shopping centers -8.5%, and healthcare -10.3%. Malls and shopping centers are facing pressure due to an increasing number of vacancies. Macy's recent announcement of store closures, continued losses from other retailers such as K-Mart/Sears has pressured this sector. The underlying competitive threat from all of these retailers is the internet, and more specifically the impact from Amazon. Healthcare related REITs faced pressure in the wake of the Trump victory and the expectation of the repeal of Obamacare.

The Nuveen Real Estate Securities Fund returned -2.91% in the quarter, which underperformed the Wilshire REIT Index return of -2.21%. The Fund placed in the 51st percentile of the Morningstar Real Estate Manager's Universe.

Global/International Equity

U.S. equity markets outperformed international markets in 2016 with the risk-on rally that led the Russell 1000 Index to a 12.1% return, not to mention the +21.3% return for small cap stocks (Russell 2000 Index). But with so much momentum in the U.S., why would anyone want to invest in the seemingly forgot overseas markets? There are many reasons why international stocks might hold more potential going forward. U.S. equity markets have outperformed of late, but the case is strong for non-U.S. developed country equities. The attractiveness of international stocks stems from the multi-year outperformance cycle of domestic stocks that has resulted in stretched valuations relative to international peers. Corporate earnings in Europe, having languished since the European debt crisis, but have begun to show signs of renewed strength. Since the U.S. seems to be in the later stages of the economic cycle and the dollar has appreciated, expectations for domestic earnings growth are becoming more muted. While the Brexit ramifications may pose a headwind to UK stocks over the near term, the Euro and Pound weakness versus the U.S. dollar are likely to provide an improved competitive advantage for European –based multinationals.

International equities produced healthy returns in local currency, but these returns were offset by US Dollar strength as financial markets priced in the U.S. Federal Reserve's December rate hike and the likelihood of more to come. The MSCI-EAFE Index rose 7.07% in local terms, but when translated into dollar terms, declined by -0.71%. Japan provided the most extreme example of currency weakness with the Yen down approximately -13%, and the TOPIX index up 15% in Yen terms. European markets displayed similar behavior, rallying in local terms after struggling for most of the year. Fundamentally, within the Euro block there were a few optimistic areas. While Italian banks have been dominating doom and gloom headlines, renewed optimism regarding a bailout caused the Italian market to return +10.8% in the quarter. Italy is a reminder of how quickly sentiment can turn, especially when prices are depressed.

Emerging markets returned -4.2% as a whole, but it is important to remember that these countries are not as homogeneous as the broad index suggest. Emerging European equity markets returned over +9% for the quarter, led by Russia (+18.6%) which has been performing better with commodity prices firming. Latin American emerging countries came in close to flat (-0.9%), while Emerging Asia pulled down the broader index with a -6.1% return. China's newest round of capital flight and declining Yuan weighed on expectations. The jury is not yet in on Chinese growth for the New Year, there will likely be new moves by the government as they attempt to steer the transition from an export based economy, to one driven by internal demand. Unfortunately, many of the measures enacted to spur growth, have resulted in a relatively fast growth of Chinese debt as a percent of GDP versus other larger debtor nations. While the quarter was not great for Emerging market equities, the group did perform well for most of 2016, resulting in a +11.2% gain for the year.

- **The Plan's international/global equity segment returned -1.38% in the quarter. This return lagged the MSCI EAFE Index -0.71%, and underperformed the MSCI ACWI Index return of 1.19%.**
 - The iShares MSCI EAFE Index ETF returned -0.76% in the quarter.
 - The Nationwide Baird International Equity Fund returned -2.86% in the quarter, which underperformed the MSCI EAFE Index. The Fund ranked in the 61st percentile of the Morningstar Foreign Large Blend Universe.
 - The Dodge & Cox International Stock Fund returned 3.36% in the quarter and outperformed the MSCI EAFE Index. The Fund ranked in the 3rd percentile of the Foreign Large Blend Universe as measured by Morningstar.
 - The MFS International Fund returned -5.59% in the quarter and underperformed the MSCI EAFE Index. The Fund ranked in the 48th percentile for foreign large cap growth managers as measured by Morningstar.
 - The iShares MSCI ACWI Index ETF returned 1.34% in the quarter
 - The American Funds New Perspective Fund recorded a -1.87% return in the fourth quarter, which underperformed the MSCI ACWI Index and ranked in the 67th percentile within the Morningstar World Stock Universe
 - The MFS Global Equity R5 Fund returned -0.56%, which underperformed the benchmark and ranked in the 51st percentile of the Morningstar World Stock Universe.
 - The Schroder Emerging Market Equity Fund returned -5.03% during the quarter and underperformed the MSCI Emerging Market benchmark return of -4.16%. The Fund ranked in the 45th percentile of the Morningstar Emerging Market Universe.

Fixed Income

Although interest rates have been in a slowly rising trend since July, the magnitude of the rise was fairly muted until November. The surprising results of the U.S. Presidential election rapidly accelerated the trend, as the five-year Treasury yield soared 60 basis points in just a few weeks. In December the FOMC decided to raise the fed funds rate for only the second time in the last ten years, to a range of 0.50% to 0.75%, further reinforcing the rising rate trend. The move upward seemed even stronger given that the market had just reached new record low yields four months earlier. As a result of rising rates, the Bloomberg Barclays U.S. Aggregate Bond Index returned –3.0% for the quarter, the largest quarterly loss since the third quarter of 1980, or since the bull market began over 35 years ago. The US Treasury sector returned –3.8%, while investment-grade corporate bonds returned –2.8%, outperforming US Treasuries by 185 basis points as credit spreads continued to narrow. Lower quality issues performed particularly well on a relative basis this quarter as issues rated single A outperformed Treasuries by +165 basis points, while issues rated BBB outperformed by +219 basis points. High Yield bonds returned 1.8% this quarter, +408 ahead of similar duration Treasuries.

Returns for the full year were remarkably good considering the extraordinary volatility at the beginning of the year, and the fact that interest rates began rising in July. On the high quality end of the spectrum, the Bloomberg Barclays U.S. Aggregate Index ended the year with a gain of 2.7%, while investment-grade corporate bonds returned 6.1%. Further down the quality scale, non-investment grade corporates gained 17.1% last year, and the High Yield Energy subsector returned a remarkable 38.4%. While credit risk was handsomely rewarded last year, interest rate risk was not. The U.S. Treasury sector returned only 1.0% for the year, although TIPS performed much better with a gain of 4.7% as market concerns over higher inflation began to emerge. At year-end, the ten-year Treasury yield was only 17 basis points higher than the beginning of the year, although it traveled a much longer route from 2.3% in January to 1.4% in July before ending the year at 2.4%. It was only early July, after the surprise vote by the UK to leave the European Union, combined with deflationary fears when yields hit new all-time lows. Just four months later the surprising U.S. Presidential election outcome sent yields much higher on expectations of faster growth and higher inflation.

At current levels, investment-grade corporate bond spreads are now somewhat below their long term average, although they still offer a significant yield advantage over Treasuries. Therefore, we continue to seek a balance between the opportunities for higher income and the potential for higher volatility. High yield bonds are relatively more expensive as spreads are well below average following a 17% total return last year. Mortgage-backed securities trade at very tight spreads due to the continuing purchases by the Federal Reserve, therefore other securitized products, such as asset-backed securities, offer better value.

- **The Plan's fixed income segment returned -2.6% in the quarter, which outperformed the Bloomberg Barclays Aggregate Index return of -2.98%.**
 - The separately managed fixed income portfolio returned -2.55% which outperformed the benchmark. The portfolio would have ranked approximately in the 48th percentile of the Morningstar Intermediate Term Bond Universe.
 - The PIMCO Total Return Bond Fund posted a -2.46% in the quarter, which placed it in the 37th percentile of Morningstar's Intermediate-Term Bond Universe. The Fund outperformed the Index.
 - The Prudential Total Return Bond Fund returned -3.01% in the quarter. This ranked in the 80th percentile of Morningstar's Intermediate-Term Bond Universe and was in-line with the benchmark.

Alternative Investments

The alternative segment of the Plan returned -1.7% in the fourth quarter. While the AQR Equity Market Neutral Fund (+4.1%) and the Eaton Vance Global Macro Fund (+0.3%) added to returns, the -8% return from the AQR Managed Futures Fund overshadowed the performance of the group. The lack of consistent long-term trends across the four markets in which the managers invest (equity, fixed income, currency, and commodities) was the main driver behind the negative performance in the quarter. The biggest detractors from performance were the investments in currency and commodity markets. The AQR Market Neutral Fund invests in a well-diversified set of long and short positions across global equity markets in an attempt to offer a positive return stream that is less correlated to traditional equity investments. During the quarter the fund performed well based on a net long position in the U.S. equity market and a more neutral position across other developed international regions (Europe/Asia). While the alternatives allocation detracted from performance in the fourth quarter, it is important to remember that these are in the portfolio because they offer the diversification benefits of uncorrelated returns to traditional investment options. When the traditional equity market performs well, as it did, less impressive returns would be expected from these investments. The Eaton Vance Global Macro Absolute Return Fund was supported by a short position in the Chinese Yuan, a long position in the Icelandic Krona, and long positions in both Brazilian and Ecuadorian Credit. Detractors included the short rates exposure in Saudi Arabia, and a long position in New Zealand interest rate futures.

- **The alternative investment segment returned -1.66% in the fourth quarter, which underperformed the Wilshire Liquid Alternatives Index return of -0.02%.**
 - The AQR Managed Futures Fund declined -7.98%, and ranked in the 87th percentile of the Morningstar Managed Futures Universe.
 - The Eaton Vance Global Macro Absolute Return Fund posted a 0.31% return, which placed in the 64th percentile of the Morningstar Non-Traditional Bond Universe.
 - The AQR Equity Market Neutral Fund return of 4.13% ranked in the 15th percentile of Morningstar's Market Neutral Universe.

Asset Allocation/Portfolio Transitions

Towards the end of the quarter, we initiated an investment in the Vanguard Growth and Income Fund. This represents an additional allocation to our large cap core allocation. We eliminated a large cap value investment, the Loomis Sayles Value Fund. This manager lagged both the peer universe and the benchmark target for an extended period of time.

In the last week of the quarter, we added the Eaton Vance Floating Rate High Income Fund to the Plan. This is an addition to the fixed income segment. The managers invest broadly across the floating-rate loan market. Floating-rate loans are corporate debt instruments mainly issued by below-investment grade borrowers. The coupon income from floating rate loans reset regularly (usually every 40-60 days) and maintain a fixed spread over a variable base rate, usually LIBOR. Loans are often referred to as 'senior and secured' as they have a high priority of claim in an issuer's capital structure. This investment was added to provide some protection in the event that interest rates rise in 2017.

Manager Watch List

<i>Name of Fund</i>	<i>Date on watch list</i>	<i>Date exiting watch list</i>	<i>Recommendation</i>	<i>Rationale</i>
<i>Pimco Total Return Bond Fund</i>	4Q 2014		Review	Peer ranking, while improving, is still below median for 3-year period.
<i>Dodge and Cox International Stock Fund</i>	2Q 2016	4Q 2016	Remove	Performance has improved, resulting in removal from the watch list.
<i>Loomis Sayles Value Fund</i>	3Q 2016	4Q 2016	Sold	Peer ranking on a 3-year basis, lagged the median within the Morningstar Large Cap Value Universe.

Asset Allocation

Period Ending December 31, 2016

Asset Allocation	9/30/2016 Market Value	9/30/2016 % of Total	12/31/2016 Market Value	12/31/2016 % of Total	Target Allocation
Large Cap Equities					
Columbia Contrarian Core Z	6,639,285	3.3%	6,096,022	3.0%	--
iShares Russell 1000 ETF	11,615,115	5.8%	11,777,899	5.7%	--
Vanguard Growth & Income Adm	--	--	6,153,621	3.0%	--
Dodge & Cox Stock Fund	4,592,954	2.3%	5,576,175	2.7%	--
Loomis Sayles Value Fund	4,543,448	2.3%	--	--	--
Harbor Capital Appreciation Instl	2,558,547	1.3%	2,534,073	1.2%	--
T. Rowe Price Growth Stock Fund	2,548,118	1.3%	2,534,570	1.2%	--
Total Large Cap Equities	\$ 32,497,466	16.1%	\$ 34,672,360	16.8%	17.0%
		<i>Range</i>		<i>Range</i>	<i>13-32%</i>
Mid Cap Equities					
iShares Russell Mid-Cap ETF	7,085,236	3.5%	8,210,568	4.0%	--
Total Mid Cap Equities	\$ 7,085,236	3.5%	\$ 8,210,568	4.0%	6.0%
		<i>Range</i>		<i>Range</i>	<i>2-10%</i>
Small Cap Equities					
iShares Russell 2000 ETF	7,574,698	3.8%	7,698,856	3.7%	--
Undiscovered Mgrs Behavioral Value Inst	6,635,753	3.30%	6,610,033	3.2%	--
T. Rowe Price New Horizons Fund	3,120,539	1.6%	3,047,128	1.5%	--
Total Small Cap Equities	\$ 17,330,990	8.6%	\$ 17,356,017	8.4%	8.0%
		<i>Range</i>		<i>Range</i>	<i>4-12%</i>
International Equities					
Nationwide Baidard Intl Equities I	5,648,967	2.8%	5,703,919	2.8%	--
iShares MSCI EAFE Index Fund	8,071,718	4.0%	8,288,816	4.0%	--
Dodge & Cox International Stock Fund	3,024,798	1.5%	3,092,441	1.5%	--
MFS International Growth Fund	3,127,849	1.6%	3,106,418	1.5%	--
Schroder Emerging Market Equity	3,307,426	1.6%	3,651,183	1.8%	--
Total International Equities	\$ 23,180,758	11.5%	\$ 23,842,777	11.6%	9.0%
		<i>Range</i>		<i>Range</i>	<i>4-16%</i>
Global Equities					
MSCI iShares ACWI Index ETF	7,194,598	3.6%	7,275,898	3.5%	--
American Funds New Perspective F2	3,045,046	1.5%	3,193,400	1.6%	--
MFS Global Equity FD CL R5 #4818	3,047,818	1.5%	3,082,524	1.5%	--
Total Global Equities	\$ 13,287,462	6.6%	\$ 13,551,822	6.6%	7.0%
		<i>Range</i>		<i>Range</i>	<i>4-12%</i>

Asset Allocation Period Ending December 31, 2016

Asset Allocation	9/30/2016 Market Value	9/30/2016 % of Total	12/31/2016 Market Value	12/31/2016 % of Total	Target Allocation
Real Estate					
Nuveen Real Estate Secs I Fund	8,943,831	4.4%	8,378,743	4.1%	--
Total Real Estate	\$ 8,943,831	4.4%	\$ 8,378,743	4.1%	4.0%
		<i>Range</i>		<i>Range</i>	<i>0-8%</i>
Fixed Income					
Core Fixed Income Holdings	57,826,648	28.7%	55,621,064	27.0%	--
PIMCO Total Return Instl Fund	8,565,618	4.3%	8,998,597	4.4%	--
Prudential Total Return Bond Q	8,579,339	4.3%	8,980,661	4.4%	--
Eaton Vance Floating-Rate High Inc	--	--	2,576,685	1.3%	--
Total Fixed Income	\$ 74,971,605	37.3%	\$ 76,177,007	37.0%	38.0%
		<i>Range</i>		<i>Range</i>	<i>30-50%</i>
Alternatives					
AQR Managed Futures I	8,182,141	4.1%	7,171,540	3.5%	--
Eaton Vance Gbl Macro Abs Ret I	8,534,269	4.2%	7,198,852	3.5%	--
AQR Equity Market Neutral I	5,558,644	2.8%	6,195,244	3.0%	--
Total Alternatives	\$ 22,275,054	11.1%	\$ 20,565,636	10.0%	10.0%
		<i>Range</i>		<i>Range</i>	<i>5-20%</i>
Cash					
Money Market	1,681,261	0.8%	3,140,893	1.5%	--
Total Cash	\$ 1,681,261	0.8%	\$ 3,140,893	1.5%	1.0%
		<i>Range</i>		<i>Range</i>	<i>0-5%</i>
TOTAL	\$ 201,253,665	100.0%	\$ 205,895,824	100.0%	100.0%

Investment Summary

Period Ending December 31, 2016

Investment Summary	Fourth Quarter 2016	Year to Date 2016
Beginning Value	\$ 201,614,321.96	\$ 175,078,576.28
Net Contributions/Withdrawals	5,010,333.02	19,973,032.54
Fees Deducted	-45,654.56	-178,396.01
Income Received	3,328,195.75	6,279,302.15
Market Appreciation	-3,650,715.12	5,175,510.75
Net Change in Accrued Income	87,313.89	15,769.23
Ending Market Value*	\$ 206,343,794.94	\$ 206,343,794.94

Investment Summary	Fourth Quarter 2015	Year to Date 2015
Beginning Value	\$ 166,674,305.52	\$ 155,218,379.57
Net Contributions/Withdrawals	5,012,199.09	20,052,726.11
Fees Deducted	-43,406.48	-174,025.08
Income Received	5,194,084.02	7,312,056.50
Market Appreciation	-1,788,988.44	-7,383,072.94
Net Change in Accrued Income	30,382.57	52,512.12
Ending Market Value*	\$ 175,078,576.28	\$ 175,078,576.28

*Ending Market Value differs from total market value on the previous page due to differences in reporting methodology. The above ending market value is reported as of trade date and includes accruals. The Asset Allocation total market value is reported as of settlement date.

INVESTMENT STRATEGY

As of December 31, 2016

Tactical Asset Allocation

Asset Class	% Portfolio Weighting			Rationale
	Target	Current Portfolio	Over/Under Weighting	
Cash	1.0%	1.5%	+0.5%	
Fixed Income	38.0%	37%	-1.0%	<ul style="list-style-type: none"> We forecast the Fed will likely raise rates 2 – 3 times in calendar year 2017. Our year-end 2017 target for the 10-year treasury is 2.75%. An allocation to floating rate notes was established as a potential hedge to a rising interest rate environment.
Alternatives	10.0%	10%	-	<ul style="list-style-type: none"> Alternatives serve to mitigate the impact of a decline in the bond market, due to a potential rise in interest rates. Additionally near-term expectations for cash and equities remain depressed due to the low interest rate environment, equity market valuations, and earnings growth expectations.
Real Estate (REITS)	4.0%	4.0%	-	<ul style="list-style-type: none"> The fundamentals for the REIT sector remain strong, with unemployment, GDP, and consumer/business confidence measures supporting general growth in the economy. Dividends appear to be well covered by anticipated cash flow. Supply and demand remains roughly balanced.
Global Equity	7.0%	6.5%	-0.5%	<ul style="list-style-type: none"> Global equities remain at reasonable valuations due to the international equity component of the MSCI ACWI benchmark.
International (Developed)	9.0%	10.0%	+1.0%	<ul style="list-style-type: none"> Developed international equity markets are viewed as attractive on a relative valuation basis, with superior earnings growth potential supported by earlier stages of the economic recovery cycle. The MSCI-EAFE Index trades at 14.8 times forward earnings compared to a 20-year average of 15.7 times.
International (Emerging)	0.0%	1.75%	+1.75%	<ul style="list-style-type: none"> Consensus expectations for emerging market growth rates have improved from 4.2% to 4.6% in 2017. Emerging markets are trading at roughly 11.7 times forward earnings. Risks to emerging markets include any sustained disruption to global trading patterns (Trump policy impact?), and a sustained strong dollar.
Total Domestic Equity	31.0%	29.25%	-1.75%	
Large Cap	17.0%	16.75%	-0.25%	<ul style="list-style-type: none"> The multi-year outperformance of domestic equities has generated stretched valuations, thereby reducing risk premiums and degrading the near-term risk/reward outlook.
Mid Cap	6.0%	4%	-2.0%	<ul style="list-style-type: none"> We continue to remain underweight based on valuation concerns, with the Russell Mid-Cap Index trading at a 18X forward PE ratio.
Small Cap	8.0%	8.5%	+0.5%	<ul style="list-style-type: none"> Our overweight in small cap is under review. The 21% gain for small caps in 2016 has stretched valuations to 23.5X forward earnings.

Selected Period Performance
PARS/COUNTY OF CONTRA COSTA PRHCP
Account 6746038001
Period Ending: 12/31/2016

Sector	3 Months	Year to Date (1 Year)	1 Year	3 Years	5 Years	Inception to Date (71 Months)
Cash Equivalents	.07	.27	.27	.11	.07	.07
<i>iMoneyNet, Inc. Taxable</i>	.04	.13	.13	.05	.04	.04
Fixed Income ex Funds	-2.55	3.63	3.63	3.04	2.60	3.60
Total Fixed Income	-2.60	3.58	3.58	2.97	2.91	3.64
<i>BC US Aggregate Bd Index</i>	-2.98	2.65	2.65	3.03	2.23	3.17
Total Equities	2.00	9.53	9.53	4.51	11.31	8.22
Large Cap Funds	4.07	10.68	10.68	7.56	14.62	10.93
<i>Russell 1000 Index</i>	3.83	12.05	12.05	8.59	14.69	12.11
Mid Cap Funds	3.19	13.65	13.65	6.08	12.30	9.53
<i>Russell Midcap Index</i>	3.21	13.80	13.80	7.92	14.72	11.61
Small Cap Funds	6.97	18.55	18.55	7.31	15.47	12.19
<i>Russell 2000 Index</i>	8.83	21.31	21.31	6.74	14.46	11.33
REIT Funds	-1.98	7.06	7.06	13.15	11.65	10.30
<i>Wilshire REIT Index</i>	-2.28	7.24	7.24	13.78	12.02	11.08
International Equities	-1.38	4.22	4.22	-.86	7.15	3.17
<i>MSCI AC World Index</i>	1.19	7.86	7.86	3.13	9.36	6.19
<i>MSCI EAFE Index</i>	-.71	1.00	1.00	-1.60	6.53	2.80
<i>MSCI EM Free Index</i>	-4.16	11.19	11.19	-2.55	1.28	-1.89
Alternatives	-1.66	-.30	-.30	1.71		
<i>Dynamic Alternatives Index</i>	-.02	2.29	2.29	1.05	.40	-.72
Total Account Net of Fees	-.15	5.91	5.91	3.46	6.96	5.51
Total Managed Portfolio	-.13	6.01	6.01	3.57	7.08	5.63
<i>County of Contra Costa</i>	.39	6.97	6.97	4.48	7.37	6.32

Inception Date: 02/01/2011

* Benchmark from February 1, 2011 to June 30, 2013: 18% Russell 1000 Index, 6% Russell Midcap Index, 8% Russell 2000 Index, 8% MSCI ACWI Index, 10% MSCI EAFE Index, 45% Barclays Aggregate Index, 4% DJ Wilshire REIT Index, 1% Citigroup 3 Month T-Bill Index. From July 1, 2013 to June 30, 2015: 17% Russell 1000 Index, 6% Russell Midcap Index, 8% Russell 2000 Index, 7% MSCI AC World US Index, 9% MSCI EAFE Index, 38% Barclays Aggregate Index, 4% DJ Wilshire REIT Index, 10% HFRI FOF Market Defensive Index, 1% Citigroup 3 Month T-Bill Index. From July 1, 2015: 17% Russell 1000 Index, 6% Russell Midcap Index, 8% Russell 2000 Index, 7% MSCI AC World Index, 9% MSCI EAFE Index, 38% Barclays Aggregate Index, 4% DJ Wilshire REIT Index, 10% Wilshire Liquid Alternative Index, 1% Citigroup 3 Month T-Bill Index

** Dynamic Alternatives Index represents the HFRI FOF Market Defensive Index from 07/01/2013 until 06/30/2015, and then the Wilshire Liquid Alternatives Index from 07/01/2015 forwards.

Returns are gross-of-fees unless otherwise noted. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

COUNTY OF CONTRA COSTA

For Period Ending December 31, 2016

LARGE CAP EQUITY FUNDS											
Fund Name	Inception	3-Month Return	Rank	YTD Return	Rank	1-Year Return	Rank	3-Year Return	Rank	5-Year Return	Rank
Columbia Contrarian Core Z	(7/13)	1.87	88	8.64	73	8.64	73	8.11	26	15.28	6
T. Rowe Price Growth Stock I		0.10	43	1.58	63	1.58	63	7.04	27	15.21	9
Harbor Capital Appreciation Instl		-1.94	76	-1.07	84	-1.07	84	6.48	39	13.96	30
Loomis Sayles Value Fund	Out (12/16)	6.73	45	11.62	80	11.62	80	5.80	77	13.96	28
Dodge & Cox Stock	(10/14)	10.71	4	21.28	5	21.28	5	8.55	12	17.01	1
Vanguard Growth & Income Adm	(12/16)	4.06	36	12.12	24	12.12	24	9.30	3	15.20	7
iShares Russell 1000	(3/15)	3.80	46	11.91	27	11.91	27	8.46	14	14.55	19
Idx: Russell 1000		3.83	--	12.05	--	12.05	--	8.59	--	14.69	--
MID CAP EQUITY FUNDS											
iShares Russell Mid-Cap	(3/15)	3.17	78	13.58	61	13.58	61	7.74	28	14.53	34
Idx: Russell Mid Cap TR USD		3.21	--	13.80	--	13.80	--	7.92	--	14.72	--
SMALL CAP EQUITY FUNDS											
Undiscovered Mgrs Behavioral Value Inst	(9/16)	8.20	93	20.84	80	20.84	80	9.73	10	17.57	2
Idx: Russell 2000 Value		14.07	--	31.74	--	31.74	--	8.31	--	15.07	--
iShares Russell 2000	(3/15)	8.84	62	21.36	42	21.36	42	6.81	43	14.51	40
T. Rowe Price New Horizons I		-0.74	88	7.95	69	7.95	69	6.19	19	15.71	5
Idx: Russell 2000 Growth		3.57	--	11.32	--	11.32	--	5.05	--	13.74	--
INTERNATIONAL EQUITY FUNDS											
Dodge & Cox International Stock		3.36	3	8.26	2	8.26	2	-1.34	30	7.98	9
Nationwide Bailard Intl Eqs Instl		-2.86	61	-2.13	83	-2.13	83	-1.04	24	7.41	15
MFS International Growth I		-5.59	48	2.64	6	2.64	6	-0.77	23	5.89	60
MFS Global Equity R5	(3/15)	-0.56	51	7.43	27	7.43	27	3.33	28	11.69	12
iShares MSCI EAFE	(3/15)	-0.76	20	0.96	47	0.96	47	-1.69	42	6.43	34
iShares MSCI ACWI	(3/15)	1.34	27	8.22	21	8.22	21	3.40	27	9.52	46
American Funds New Perspective F2	(3/15)	-1.87	67	2.10	77	2.10	77	3.70	22	11.40	14
Idx: MSCI EAFE		-0.71	--	1.00	--	1.00	--	-1.60	--	6.53	--
Idx: MSCI ACWI		1.19	--	7.86	--	7.86	--	3.13	--	9.36	--
Schroder Emerging Market Equity	(11/12)	-5.03	45	10.41	36	10.41	36	-2.76	45	1.81	43
Idx: MSCI Emerging Markets		-4.16	--	11.19	--	11.19	--	-2.55	--	1.28	--

Data Source: Morningstar, SEI Investments

Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources believed accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

COUNTY OF CONTRA COSTA

For Period Ending December 31, 2016

REIT EQUITY FUNDS											
Fund Name	Inception	3-Month Return	Rank	YTD Return	Rank	1-Year Return	Rank	3-Year Return	Rank	5-Year Return	Rank
Nuveen Real Estate Secs Y		-2.91	51	6.79	37	6.79	37	13.20	17	11.71	18
Idx: Wilshire REIT Index		-2.28	--	7.24	--	7.24	--	13.78	--	12.02	--
BOND FUNDS											
Core Fixed Income Portfolio		-2.55	48	3.63	37	3.63	37	3.04	35	2.60	53
Pimco Total Return Inst'l		-2.46	37	2.60	62	2.60	62	2.66	58	3.21	23
Prudential Total Return Bond Fund Class I	(5/16)	-3.01	80	4.83	12	4.83	12	4.01	5	4.16	4
Idx: BarCap US Aggregate Bond		-2.98	--	2.65	--	2.65	--	3.03	--	2.23	--
Eaton Vance Floating-Rate & Hi Inc Inst	(12/16)	2.47	22	11.55	14	11.55	14	3.50	16	5.02	25
ALTERNATIVE FUNDS											
AQR Managed Futures	(7/13)	-7.98	87	-8.43	81	-8.43	81	0.81	61	2.91	12
AQR Equity Market Neutral I	(2/16)	4.13	15	5.85	18	5.85	18	--	--	--	--
Eaton Vance Gbl Macro Abs Ret	(7/13)	0.31	64	4.00	59	4.00	59	3.22	19	2.69	54
Idx: Dynamic Alternatives		-0.02	--	2.29	--	2.29	--	1.05	--	0.40	--

Data Source: Morningstar, SEI Investments

Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources believed accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

COUNTY OF CONTRA COSTA

For Period Ending December 31, 2016

LARGE CAP EQUITY FUNDS													
Fund Name	Inception	2016 Return	Rank	2015 Return	Rank	2014 Return	Rank	2013 Return	Rank	2012 Return	Rank	2011 Return	Rank
Columbia Contrarian Core Z	(7/13)	8.64	73	3.02	9	12.92	31	35.73	17	18.67	10	-0.93	52
T. Rowe Price Growth Stock I		1.58	63	10.93	--	8.83	--	39.20	--	18.92	--	-0.97	--
Vanguard Growth & Income Adm	(12/16)	12.12	24	2.03	16	14.16	13	32.74	37	17.05	19	2.54	15
Harbor Capital Appreciation Instl		-1.07	84	10.99	4	9.93	53	37.66	17	15.69	43	0.61	24
Loomis Sayles Value Fund	Out (12/16)	11.62	80	-4.19	58	10.76	48	35.54	14	19.70	4	-2.81	66
Dodge & Cox Stock	(10/14)	21.28	5	-4.49	62	10.40	54	40.55	2	22.01	2	-4.08	74
iShares Russell 1000 ETF		11.91	27	0.82	30	13.08	28	32.93	35	16.27	29	1.36	28
Idx: Russell 1000		12.05	--	0.92	--	13.24	--	33.11	--	16.42	--	1.50	--
MID CAP EQUITY FUNDS													
iShares Russell Mid-Cap ETF		13.58	61	-2.57	30	13.03	8	34.50	46	17.13	43	-1.67	27
SMALL CAP EQUITY FUNDS													
Undiscovered Managers Behavioral Val L	(9/16)	20.84	80	3.43	1	5.70	26	37.64	38	23.55	4	-1.53	24
Idx: Russell 2000 Value		31.74	--	-3.83	--	4.22	--	34.52	--	18.05	--	-5.50	--
T. Rowe Price New Horizons I		7.95	69	4.54	--	6.10	--	49.11	--	16.20	--	6.63	--
Idx: Russell 2000 Growth		11.32	--	-1.38	--	5.60	--	43.30	--	14.59	--	-2.91	--
iShares Russell 2000 ETF		21.36	42	-4.33	44	4.94	44	38.85	35	16.39	34	-4.19	58
INTERNATIONAL EQUITY FUNDS													
Dodge & Cox International Stock		8.26	2	-11.35	98	0.08	9	26.31	8	21.03	16	-15.97	81
Nationwide Bailard Intl Eqs Instl		-2.13	83	0.93	23	-1.90	15	21.84	--	21.07	--	-15.39	--
MFS International Growth I		2.64	6	0.30	55	-5.10	58	13.84	79	19.71	31	-10.62	40
iShares MSCI EAFE Index Fund		0.96	47	-0.90	46	-5.04	46	22.62	18	17.22	66	-12.18	27
Idx: MSCI EAFE		1.00	--	-0.81	--	-4.90	--	22.78	--	17.32	--	-12.14	--
Schroder Emerging Market Equity	(11/12)	10.41	36	-12.68	37	-4.61	70	-2.28	54	21.73	19	-16.70	20
Idx: MSCI Emerging Markets		11.19	--	-14.92	--	-2.19	--	-2.60	--	18.22	--	-18.42	--
American Funds New Perspective F2		2.10	77	5.56	6	3.46	41	27.11	39	21.07	15	-7.39	44
MFS Global Equity R5		7.43	27	-1.34	48	4.08	33	27.93	34	23.14	--	-5.13	--
iShares MSCI ACWI		8.22	21	-2.39	62	4.64	28	22.91	63	15.99	51	-7.60	46
Idx: MSCI ACWI		7.86	--	-2.36	--	4.16	--	22.80	--	16.13	--	-7.35	--

Data Source: Morningstar, SEI Investments

Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources believed accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

COUNTY OF CONTRA COSTA

For Period Ending December 31, 2016

REIT EQUITY FUNDS													
Fund Name	Inception	2016	2015	2014	2013	2012	2011						
		Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Nuveen Real Estate Secs Y		6.79	37	3.48	37	31.28	17	1.32	58	18.34	22	7.96	50
Idx: Wilshire REIT		7.24	--	4.23	--	31.78	--	1.86	--	17.59	--	5.52	--
BOND FUNDS													
Core Fixed Income Portfolio		3.63	37	0.78	14	4.74	70	-1.40	41	5.42	69	8.41	5
Pimco Total Return Inst'l		2.60	62	0.73	15	4.69	71	-1.92	60	10.36	12	4.16	87
Prudential Total Return Bond Q	(5/16)	4.83	13	0.09	44	7.25	5	-0.91	28	9.96	14	7.93	8
Idx: BarCap US Aggregate Bond		2.65	--	.55	--	5.97	--	-2.02	--	4.21	--	7.84	--
Eaton Vance Floating-Rate & Hi Inc Inst	(12/16)	11.55	14	-1.50	57	0.90	33	5.23	50	9.51	38	2.81	9
ALTERNATIVE FUNDS													
AQR Managed Futures	(7/13)	-8.43	81	2.00	31	9.69	40	9.40	6	2.99	5	-6.37	29
AQR Equity Market Neutral I	(2/16)	5.85	18	17.60	1	--	--	--	--	--	--	--	--
Eaton Vance Glbl Macro Abs Ret	(7/13)	4.00	59	2.63	7	3.03	18	-0.24	58	4.11	79	-0.39	44

Data Source: Morningstar, SEI Investments

Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources believed accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.